31942

Samuel Heath & Sons PLC

CONTENTS

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 Penistone Road 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

A number of contributing factors helped us towards a very satisfactory year to the end of March 1998.

We made progress in all sides of our continuing activities with the exception of the pottery. The Home market proved to be buoyant. We increased sales in North America and, despite all that was against us, retained our position well within Europe.

This has all been achieved by extremely aggressive marketing very ably backed up by increasing manufacturing output within which considerable productivity gains have been made.

During February, whilst retaining the role of Executive Chairman, I ceased to be Managing Director of the Group. I have no doubt that Mr. David Pick will fill this role admirably.

This was in line with what I promised some four years ago in this statement. Reports like the one sensibly produced by Cadbury and his colleagues can be adopted by all sizes of company if given a reasonable time scale. It is to be hoped that future alterations in the way companies are expected to be run are introduced in a similarly wise and understanding way. Nothing disrupts the running of a business more than needless and time consuming change for change's sake.

I am also very pleased to announce that during the year, Mr. Charles Flint accepted an invitation to join the Board as a non-Executive Director. Already his qualities and experience are being felt within the Company.

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, 450,000 shares, between Annual General Meetings, although the Company will not make more than half the allowed purchases in any twelve month period.

At the Annual General Meeting, a resolution will be proposed to authorise your Directors to purchase ordinary shares between Annual General Meetings 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 ten dealing days before the purchase is made (exclusive of expenses). The authority will expire at the Annual General Meeting to be held in 1999. Your Directors believe that it is right for the Company to seek the flexibility to purchase its own shares, and they accordingly recommend all shareholders to vote in favour of the resolution. They intend to do so in respect of their own holdings of the Company's shares, which are shown on page 4 of this report.

As seems nearly inevitable in these fast changing times, I have to write about our prospects this year with some caution. Perhaps fortuitously, you can see in our world sales' split that we do not have much exposure to the Far-East market. However, obviously an exchange rate alteration of nearly 30% is going to affect our Australian business. America and Europe seem relatively settled, but it is the Home market which is causing concern. With our, for the most part upmarket products, we obviously received great benefit last year from the building society and insurance company bonanza. This is obviously not going to repeat itself. In addition, reports from the building and refurbishment sector are far from optimistic. In contrast to this, department stores sales are moving ahead well. That presents a very mixed picture.

However, in view of the progress made last year, we propose a final dividend of 4.5 pence per share, making a total of 8.0 pence for the year, an increase of 14% on last year.

Sam Heath
Chairman

20th July 1998

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 hardware and giftware 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 an Extraordinary General Meeting held on 12th August 1997 the Company was given authority to purchase its own shares up to a maximum of 450,000 shares, such authority to expire at the next Annual General Meeting.

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:-

	23rd June 1998	31st March 1998	31st March 1997 (or appointment)
Beneficial interests:			
S. B. Heath	485,139	485,139	485,197
D. F. Coplestone	104,500	104,500	104,500
C. J. B. Flint	2,000	2,000	2,000
W. J. Lancashire	3,750	3,750	3,750
D. B. Legge	16,000	16,000	1,000
M. J. Legge	30,000	30,000	30,000
D. J. Pick	1,000	1,000	1,000
D. J. Richardson	2,000	2,000	1,000
Non-beneficial interests:			
M. J. Legge	22,500	22,500	27,500

Mr. C. J. B. Flint, who was appointed on 26th January 1998, retires at this, the first general meeting following his election, and offers himself for re-election. He does not have a service contract with the Company.

The directors retiring by rotation are Mr. W. J. Lancashire and Mr. M. J. Legge who offer themselves for re-election. They do not have service contracts with the Company.

Non-executives

Mr. M. J. Legge is 63 years of age and has held a number of directorships in both public and private companies during his working life. He has been on the board for 20 years.

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 68 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 60 years old.

Mr. C. J. B. Flint is the Senior Partner of a Birmingham law firm, Shakespeares. He holds directorships of a number of private companies. He is also a member of the C.B.I. West Midlands Regional Council and on the Board of Governors of the University of Central England. He is 56 years old.

Other major shareholdings

The company has been notified of the following other major shareholdings at 23rd June 1998.

	Number of Shares
C. A. Heath	383,710
G. S. Heath	383,710
S. A. Perkins (nee Heath)	282,810
Britannic Assurance Plc	100,000

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.

Corporate Governance

The Board believes that the Company has complied with the Code of Best Practice recommended by the Cadbury Committee.

The Company has appointed an Audit Committee consisting of the four non-executive directors.

The members of the Audit and Remuneration Committees are noted on page 2.

The Board is responsible for the Group's system of internal control and considers internal controls are established 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 the accounts.

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 1998 the Company's creditor days compared to the value of supplier invoices received in the year was 67 days.

Year 2000 issues

The Board is aware of the risks and uncertainties associated with the Year 2000 problem and has made an assessment of these. The Company installed a new fully integrated computer system in December 1997 which is fully compliant and will ensure that all other systems and equipment are also fully compliant. The Company is liaising with key suppliers and customers in order to minimise its exposure.

The Introduction of the euro

The Board does not anticipate that the introduction of the euro will present a material problem to the Company.

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

20th July 1998

SHS

Samuel Heath & Sons PLC

REPORT OF THE REMUNERATION COMMITTEE

Members of the Committee are noted on page 2.

The Company complies with Section A of the best practice provision annexed to the Listing Rules of the London Stock Exchange except that in addition to the four non-executive directors the Committee includes the Company Chairman. They consider this gives the best method of consultation as recommended by the provisions.

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.

No director has a service contract.

Executive directors are entitled to join the Samuel Heath & Sons Staff Pension Scheme. With the exception of the Chairman, who retired from the scheme at age 60, 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.

On behalf of the remuneration committee

S. B. Heath
Chairman

20th July 1998

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.

AUDITORS' REPORT

To the members of Samuel Heath & Sons PLC

We have audited the accounts on pages 10 to 21 which have been prepared under the historical cost convention and the accounting policies set out on page 13.

Respective responsibilities of directors and auditors

As described on page 8 the Company's directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts and of whether the accounting policies are appropriate to the Group's and 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the Group's and the Company's affairs as at 31st March 1998 and of the Group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Corporate governance matters

In addition to our audit of the financial statements, we have reviewed the directors' statement on page 5 on the Company's compliance with the paragraphs of the Code of Best Practice specified for our review by the London Stock Exchange. The objective of our review is to draw attention to any non-compliance with those paragraphs of the code which is not disclosed.

Basis of opinion

We carried out our review in accordance with guidance issued by the Auditing Practices Board. That guidance does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the Group's system of internal financial control or its corporate governance procedures, nor on the ability of the Group and Company to continue in operational existence.

Opinion

With regard to the directors' statements on internal financial control and going concern on page 5 in our opinion the directors have provided the disclosures required by the Listing Rules referred to above and such statements are not inconsistent with the information of which we are aware from our audit work on the financial statements.

Based on enquiry of certain directors and officers of the Company, and examination of relevant documents, in our opinion the directors' statement on page 5 appropriately reflects the Company's compliance with the other aspects of the Code specified for our review by Listing Rule 12.43(j).

Moore Stephens

Moore Stephens
Chartered Accountants
and Registered Auditor
20th July 1998

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 1998

	Notes	1998 £000	1998 £000	1997 £000	1997 £000
Turnover	(2)				
Continuing operations		**10,848**		9,781	
Discontinued operations		–	**10,848**	247	10,028
Cost of sales			**5,274**		5,049
Gross profit			**5,574**		4,979
Distribution costs		**342**		253	
Administrative expenses		**4,218**	**4,560**	3,966	4,219
Operating profit	(4)				
Continuing operations		**1,014**		792	
Discontinued operations		–	**1,014**	(32)	760
Interest receivable			**5**		1
Interest payable on bank overdraft			–		(37)
Profit on ordinary activities before taxation			**1,019**		724
Taxation	(5)		**285**		253
Profit on ordinary activities after taxation			**734**		471
Deduct: **Dividends**					
Interim of 3.5 pence per share (1997: 3.0 pence)		**105**		90	
Proposed final of 4.5 pence per share (1997: 4.0 pence)		**135**	**240**	120	210
Added to reserves	(15)		**494**		261
Earnings per share					
The profit after taxation, £734,000 related to 3,000,000 ordinary shares, being the average number in issue during the year (1997: £471,000 related to 3,000,000 ordinary shares)			**24.5 pence**		15.7 pence

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

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Samuel Heath & Sons PLC
(and subsidiary companies)

BALANCE SHEETS

31st March 1998

	Notes	Group 1998 £000	Group 1997 £000	Parent company 1998 £000	Parent company 1997 £000
Fixed assets					
Tangible assets	(6) & (7)	2,530	2,578	2,530	2,578
Investments	(8)	–	–	399	399
		2,530	2,578	2,929	2,977
Current assets					
Stocks	(9)	1,965	1,781	1,965	1,781
Debtors	(10)	1,858	1,839	1,858	1,839
Cash at bank		671	102	671	102
		4,494	3,722	4,494	3,722
Creditors: amounts falling due within one year					
Corporation tax		252	200	252	200
Amounts owed to Group undertakings		–	–	1,052	1,052
Other creditors	(11)	1,552	1,287	1,552	1,287
		1,804	1,487	2,856	2,539
Net current assets		2,690	2,235	1,638	1,183
Total assets less current liabilities		5,220	4,813	4,567	4,160
Provision for liabilities and charges	(13)	179	266	179	266
		5,041	4,547	4,388	3,894
Financed by:					
Capital and reserves					
Called up share capital	(14)	300	300	300	300
Capital redemption reserve		64	64	64	64
Profit and loss account	(15)	4,677	4,183	4,024	3,530
Equity shareholders' funds		5,041	4,547	4,388	3,894

Signed on behalf of the Board on 20th July 1998

S. B. Heath
Chairman

SHS

Samuel Heath & Sons PLC
(and subsidiary companies)

GROUP CASH FLOW STATEMENT

for the year ended 31st March 1998

	Notes	1998 £000	1998 £000	1997 £000	1997 £000
Net cash inflow from operating activities	(19)		**1,277**		1,552
Returns on investments and servicing of finance					
Interest received		**5**		1	
Interest paid		–		(37)	
Net cash inflow from returns on investments and servicing of finance			**5**		(36)
Taxation					
U.K. Corporation tax paid			**(173)**		(220)
Capital expenditure					
Purchase of tangible fixed assets		**(403)**		(517)	
Sale of tangible fixed assets		**88**		94	
Net cash outflow for capital expenditure			**(315)**		(423)
Equity dividends paid			**(225)**		(300)
Increase in cash	(20)		**569**		573

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

for the year ended 31st March 1998

	1998 £000	1997 £000
Profit for the financial year	**734**	471
Dividends	**(240)**	(210)
	494	261
Opening shareholders' funds	**4,547**	4,286
Closing shareholders' funds	**5,041**	4,547

NOTES FORMING PART OF THE ACCOUNTS

31st March 1998

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 1998 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. Any difference between that value and the purchase consideration is taken to reserves.

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. Advance corporation tax which is expected to be recoverable in the future is deducted from the deferred tax balance.

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
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
Short leasehold land and buildings	Over the term of the lease
Plant and equipment	10% p.a. on cost
Computer equipment	25% p.a. on cost
Vehicles	25% p.a. on cost

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.

2. Turnover

Included in the total turnover are exports to the following parts of the world:

	1998	1997
	£000	£000
Europe–E.U.	**1,676**	1,637
–Non E.U.	**160**	187
Americas	**1,419**	1,083
Africa	**24**	25
Asia and Australasia	**410**	399
	3,689	3,331

All turnover originated in the U.K. and therefore no analysis by geographical segments has been provided other than as shown above.

NOTES FORMING PART OF THE ACCOUNTS

(continued)

3. Contributions to turnover and profit

	1998 Turnover £000	1998 Profit £000	1997 Turnover £000	1997 Profit £000
Metal products	**10,353**	**1,124**	9,132	767
Pottery	**495**	**(105)**	649	(11)
Photograph frames	–	–	247	(32)
	10,848	**1,019**	10,028	724

4. Operating profit

(a) Operating costs are analysed as follows:

	1998 Total Continuing operations £000	1997 Total £000	1997 Discontinued operations £000	1997 Continuing operations £000
Cost of sales	**5,274**	5,049	158	4,891
Distribution costs	**342**	253	2	251
Administration expenses	**4,218**	3,966	119	3,847
	9,834	9,268	279	8,989

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

	1998 £000	1998 £000	1997 £000	1997 £000
Directors' emoluments for the year:				
Fees	**18**		16	
Management remuneration (salaries and benefits)	**286**		327	
Performance related payments	**32**	**336**	12	355
Depreciation less surplus on disposals		**363**		366
Auditors' remuneration:				
Audit		**26**		25
Other services		**1**		1
Credit for contributions to pension scheme		**(147)**		(117)

NOTES FORMING PART OF THE ACCOUNTS
(continued)

5. Taxation

	1998		1997	
	£000	**£000**	£000	£000
Corporation tax		**266**		205
Transfer to deferred taxation to equalise capital allowances	**13**		10	
Future tax relief on provision for contributions to pension scheme	**51**	**64**	38	48
Overprovision for prior years		**(45)**		–
		285		253

Corporation tax is at an effective rate of 31% (1997: 33%).

6. Tangible fixed assets of the Group

	Total £000	Land and buildings £000	Plant and equipment £000	Vehicles £000
Cost				
At 31st March 1997	4,542	1,301	2,721	520
Additions	403	14	310	79
Disposals	(196)	–	(6)	(190)
At 31st March 1998	**4,749**	**1,315**	**3,025**	**409**
Aggregate depreciation				
At 31st March 1997	1,964	312	1,430	222
Charge for the year	379	25	238	116
Disposals	(124)	–	(2)	(122)
At 31st March 1998	**2,219**	**337**	**1,666**	**216**
Book value				
At 31st March 1998	**2,530**	**978**	**1,359**	**193**
At 31st March 1997	2,578	989	1,291	298

The book value at 31st March 1998 of land and buildings is made up as follows:

	1998 £000	1997 £000
Freehold land and buildings	**823**	829
Long leasehold land and buildings	**155**	159
Short leasehold land and buildings	–	1
	978	989

The net book value of freehold land and buildings includes £55,000 (1997: £46,000) in respect of land which is not depreciated.

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 1997	4,484	1,297	2,667	520
Additions	403	14	310	79
Disposals	(196)	–	(6)	(190)
At 31st March 1998	**4,691**	**1,311**	**2,971**	**409**
Aggregate depreciation				
At 31st March 1997	1,906	308	1,376	222
Charge for the year	379	25	238	116
Disposals	(124)	–	(2)	(122)
At 31st March 1998	**2,161**	**333**	**1,612**	**216**
Book value				
At 31st March 1998	**2,530**	**978**	**1,359**	**193**
At 31st March 1997	2,578	989	1,291	298

The book value at 31st March 1998 of land and buildings is made up as follows:

	1998 £000	1997 £000
Freehold land and buildings	**823**	829
Long leasehold land and buildings	**155**	159
Short leasehold land and buildings	**–**	1
	978	989

The net book value of freehold land and buildings includes £55,000 (1997: £46,000) in respect of land which is not depreciated.

8. (a) Investments

	1998 Company £000	1997 Company £000
Shares in subsidiaries		
Cost at 31st March 1997	**852**	852
Amount written off to date	**453**	453
Book value at 31st March 1998	**399**	399

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 written off the subsidiaries which were in the group at 31st March 1998 was £518,000.

9. Stocks

	1998		1997	
	Group £000	Company £000	Group £000	Company £000
Raw material	397	397	300	300
Work in progress	809	809	789	789
Goods for resale	759	759	692	692
	1,965	1,965	1,781	1,781

10. Debtors

	1998		1997	
	Group £000	Company £000	Group £000	Company £000
Recoverable within one year:				
Trade debtors	1,814	1,814	1,764	1,764
Prepayments	44	44	75	75
	1,858	1,858	1,839	1,839

11. Creditors

	1998		1997	
	Group £000	Company £000	Group £000	Company £000
Trade creditors	1,047	1,047	782	782
Accruals	126	126	109	109
Social security, income tax and V.A.T.	244	244	276	276
Proposed dividend	135	135	120	120
	1,552	1,552	1,287	1,287

12. Deferred taxation

	1998 Group and Company £000	1997 Group and Company £000
Deferred tax liability at 31st March 1997	**80**	32
Charge in respect of accelerated capital allowances	**13**	10
Charge in respect of future tax relief on contributions to pension scheme	**51**	38
Deferred tax liability at 31st March 1998	**144**	80
Transfer: asset representing future tax relief on contributions to pension scheme, set off against pensions provision, as note 13	**21**	72
Liability representing accelerated capital allowances	**165**	152
Deduct: advance corporation tax on proposed dividend	**(34)**	(30)
Deferred liability referred to in note 13	**131**	122
The potential contingent liability at 31% (1997: 33%) not provided was:		
Accelerated capital allowances	**121**	129
Deferred capital gains	**15**	15
	136	144

13. Provision for liabilities and charges

	1998 Group and Company £000	1997 Group and Company £000
Provision for future contributions to pension scheme:		
Balance at 31st March 1997	**216**	333
Credit for year	**(147)**	(117)
Balance at 31st March 1998	**69**	216
Deduct: deferred tax asset, as note 12	**(21)**	(72)
	48	144
Deferred taxation, as note 12	**131**	122
	179	266

In order to show a true and fair view, as it relates to future contributions, the deferred tax asset has been deducted from the provision and not included in current assets.

14. Share capital

	1998 Company £000	1997 Company £000
Authorised		
5,000,000 Ordinary shares of 10 pence each	**500**	500
Allotted, called up and fully paid		
3,000,000 Ordinary shares of 10 pence each	**300**	300

NOTES FORMING PART OF THE ACCOUNTS

(continued)

15. Profit and loss account

	1998 Group £000	1998 Company £000	1997 Group £000	1997 Company £000
Opening balance	**4,183**	**3,530**	3,922	3,269
Retained profit for the year	**494**	**494**	261	261
	4,677	**4,024**	4,183	3,530

16. Particulars of staff

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

	1998	1997
Monthly paid	**77**	82
Weekly paid	**160**	161
	237	243

The total staff costs were as follows:

	£000	£000
Wages and salaries	**3,627**	3,585
Social security costs	**282**	260
Defined benefit pension scheme costs	**405**	254
	4,314	4,099

The highest paid director's emoluments were £105,000 (1997: £167,000).

Pension benefits are accruing under defined benefit schemes for three directors (1997: four).

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

Emoluments	Salary £	Fee £	Benefits in kind £	Performance related bonuses £	**Total 1998 £**	Total 1997 £
Executive						
S. B. Heath	90,037	100	14,592	–	**104,729**	167,234
D. J. Pick	58,249	100	10,064	13,000	**81,413**	59,011
D. J. Richardson	50,052	100	8,424	11,250	**69,826**	58,337
W. J. Lancashire	47,768	100	7,126	7,500	**62,494**	54,237
Non Executive						
D. F. Coplestone	–	5,100	1,092	–	**6,192**	6,160
C. J. B. Flint (from 26.1.1998)	–	876	–	–	**876**	–
D. B. Legge	–	5,100	–	–	**5,100**	5,100
M. J. Legge	–	5,100	–	–	**5,100**	5,100

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
S. B. Heath*	4,162	71,160	83,432
D. J. Pick	1,527	5,875	10,900
D. J. Richardson	1,649	9,457	16,689
W. J. Lancashire	1,064	6,072	14,995

*Mr. S. B. Heath reached pensionable age on 11th February 1998 and these figures relate to benefits accrued between 31st March 1997 and that date.

17. Future capital expenditure

The approximate amount at 31st March 1998 of capital expenditure not provided for in these accounts was as follows:

	1998 Group and Company £000	1997 Group and Company £000
Contracted for	**21**	166

18. 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 attained age 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 made at the rate of 17.5% 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 1996 and was made on the attained age method. The main long term actuarial assumptions were that the rate of investment return would be 8.5% per annum compound and that increases in earnings would average 7.5% per annum compound. Employer's contributions are made at 11.6% per annum.

This actuarial valuation showed that the market value of the scheme's assets was £370,000 and that the actuarial value of those assets represented 112% of the benefits that had accrued to members after allowing for expected future increases in earnings.

In accordance with SSAP 24, any consequent 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.

NOTES FORMING PART OF THE ACCOUNTS
(continued)

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

	1998 £000	1997 £000
Operating profit	1,014	760
Depreciation charges less surplus on disposals	363	366
Pension scheme credit	(147)	(117)
(Increase)/decrease in stocks	(184)	171
(Increase)/decrease in debtors	(19)	446
Increase/(decrease) in creditors	250	(74)
Net cash inflow from operating activities	1,277	1,552

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

	1998 £000	1997 £000
Increase/(decrease) in cash in the period	569	573
Movement in net funds in the period	569	573
Net funds/(debt) at 31st March 1997	102	(471)
Net funds at 31st March 1998	671	102

21. Analysis of net funds

	At 31st March 1998 £000	Cash flow £000	At 31st March 1997 £000
Cash at bank	671	569	102

22. Controlling party

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

NOTICE OF MEETING

Notice is hereby given that the one hundred and eighth Annual General Meeting of the Company will be held at the registered office of the Company, Leopold Street, Birmingham on 21st August 1998 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 1998 be approved and adopted.

2. That a final dividend for the year ended 31st March 1998 of 4.5 pence per share be declared payable on 21st August 1998 to ordinary shareholders registered at the close of business on 20th July 1998.

3. That Mr. C. J. B. Flint who retires at the first general meeting following his election, be re-elected a director.

4. That Mr. W. J. Lancashire who retires by rotation be re-elected a director.

5. That Mr. M. J. Legge who retires by rotation 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 Resolution 7 which will be proposed as an Ordinary 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 450,000 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 10 dealing days before the purchase.

   The prices specified above are exclusive of expenses and of Advance Corporation Tax (if any) payable by the Company.

NOTICE OF MEETING

(continued)

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.

By order of the Board

J. Park
Secretary

20th July 1998

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 23rd June 1998 is available for inspection at the registered office during usual business hours on any weekday (excluding Saturdays and public holidays) until 20th August 1998 and will also be available at the Annual General Meeting from 11.45 a.m. until 15 minutes after the meeting is closed.