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Samuel Heath & Sons PLC

DIRECTORS AND OFFICERS

Directors:

Samuel B. Heath*
(Chairman)

David J. Pick
(Managing Director)

David J. Richardson, FCMA
(Financial Director)

David F. Coplestone*‡
(Non-executive)

Charles J. B. Flint, LLB*‡
(Non-executive)

William J. Lancashire
(Director)

David B. Legge, I.Eng.*‡
(Non-executive)

Martin J. Legge*‡
(Non-executive)

* Member of remuneration committee

‡ Member of audit committee

Secretary:

John Park

Group Management Board:

Neil Bosworth

Registered Office:

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

Registrar:

Northern Registrars Limited
Northern House
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



Samuel Heath & Sons PLC

CHAIRMAN'S STATEMENT

I am probably as pleased with the results to March 31st 1999 as any in the last years. Trading conditions at home altered dramatically after the first three months and the pound continued stronger through the period. Turnover therefore actually fell by 1% against the previous year but considerably more against budget. But, because of swift action taken in the Autumn, the trading profit worked out at 8.4% on turnover. This was in the first full year when our new management structure was in place with myself taking a more part-time role.

It was pleasing to see that exports actually rose by 4 1/2% albeit at lesser margins and now represent 36% of our total sales.

The problems in the British ceramic industry have been well chronicled elsewhere and it was decided that it was unlikely that we, with Dartmouth Pottery, would buck the trend. We have therefore found a private buyer for the business at a very small amount over book asset value. This will have some equally small effect on our total sales and return in the short term.

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, 426,182 shares, between Annual General Meetings.

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 2000. 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.

During the last year the Company did in fact buy back 158,788 shares.

After this enthusiastic - for me anyway - resumé, it would be pleasant to be able to be upbeat about prospects for the future. Given the present outlook both at home and particularly overseas, with the pound where it is against the Euro it is difficult to be so. As always, we have budgeted realistically and this shows a result to be expected well down on the previous year. This could all be altered by the types of swings in trade and currencies which we have seen in recent times, and also on the even better than expected success in the second half of a large range of products which will be launched shortly. Meanwhile, trading within the first three months has been marginally up on budget.

Your Board is recommending a final dividend of 5.0 pence per share, making a total of 8.5 pence for the year, an increase of 6.25% on last year.

Sam Heath
Chairman

27th July 1999



Samuel Heath & Sons PLC

DIRECTORS' REPORT

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

Activities

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

Results

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

Authority for purchase of own shares

At the Annual General Meeting held on 21st August 1998 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.

Between September 1998 and March 1999 the Company purchased 158,788 ordinary shares, representing 5.3% of the called up share capital for an aggregate consideration of £189,362. The purchases are for the longer term enhancement of shareholder value. At 31st March 1999 the authority was still valid for purchases up to a further 291,212 shares.

Directors

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

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

	28th June 1999	31st March 1999	31st March 1998 (or appointment)
<i>Beneficial interests:</i>			
S. B. Heath	487,081	487,081	485,139
D. F. Coplestone	104,500	104,500	104,500
C. J. B. Flint	6,000	6,000	2,000
W. J. Lancashire	3,750	3,750	3,750
D. B. Legge	16,000	16,000	16,000
M. J. Legge	30,000	30,000	30,000
D. J. Pick	2,000	2,000	1,000
D. J. Richardson	2,000	2,000	2,000
<i>Non-beneficial interests:</i>			
M. J. Legge	22,500	22,500	22,500

The directors retiring by rotation are Mr. S.B. Heath and Mr. D.F. Coplestone who offer themselves for re-election. They do not have service contracts with the Company.

Non-executives

Mr. M. J. Legge is 64 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 21 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 69 years old.

Mr. D. B. Legge is an engineering graduate of Loughborough University. He spent a successful career in



Samuel Heath & Sons PLC

DIRECTORS' REPORT

(continued)

the lock manufacturing industry as a director of a major company in that field. He is 61 years old.

Mr. C. J. B. Flint is a Partner of a Birmingham Law Firm, Shakespeares.

He holds directorships of a number of private companies. He is also on the Board of Governors of the University of Central England. He is 57 years old.

None of the directors has a material interest in any contract of significance except that during the year Mr. D.B. Legge's firm was paid £6,681 for engineering consultancy services and Mr. Flint's firm Shakespeares was paid £13,445 for legal services.

Other major shareholdings

The Company has been notified of the following other major shareholdings at 28th June 1999.

	<i>Number of Shares</i>
C. A. Heath	383,710
G. S. Heath	383,710
S. A. Perkins (née 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

In June 1998 the Committee on Corporate Governance issued recommendations known as the Combined Code and these were incorporated into the Listing Agreement of the London Stock Exchange. We are reporting in accordance with these recommendations on (a) how we have applied the principles set out in Section 1 and (b) the extent to which we have not complied with the provisions in the period up to 31st March 1999.

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

The Chairman and Chief Executive Officer are separate posts.

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

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

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



Samuel Heath & Sons PLC

DIRECTORS' REPORT

(continued)

The principles regarding relations with shareholders are maintained by contact with institutional shareholders and by communicating with private investors at annual general meetings.

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

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

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

In the period from June 1998 to 31st March 1999 the Company has not complied with the Code provisions in the following respects:-

The Board has not complied with the provisions of the Combined Code which requires appointment of a senior independent director, believing that in view of the size and composition of the Board it is inappropriate, shareholders being able to contact any member of the Board.

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

The level of proxies lodged on each resolution at the 1998 Annual General Meeting was not reported but this procedure will take place at the 1999 meeting.

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 1999 the Company's creditor days compared to the value of supplier invoices received in the year was 55 (1998: 67).

Remuneration report

Members of the Remuneration Committee are noted on page 2.

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

Basic salary and benefits
Annual cash bonus

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

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



Samuel Heath & Sons PLC

DIRECTORS' REPORT

(continued)

No director has a service contract.

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

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

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.

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 has ensured that all other systems and equipment are also fully compliant. The Company has liaised with key suppliers and customers in order to minimise its exposure. The Company has not incurred, and does not anticipate incurring, significant expenditure specifically to achieve Year 2000 compliance.

The introduction of the euro

As anticipated, the Board has not experienced to date any material problem with the introduction of the euro.

Auditors

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

On behalf of the Board

S. B. Heath
Chairman

27th July 1999



Samuel Heath & Sons PLC

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group and the Company for that period. In preparing those accounts, the directors are required to:-

select suitable accounting policies and then apply them consistently.

make judgements and estimates that are reasonable and prudent.

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

prepare the accounts on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and the Company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



Samuel Heath & Sons PLC

AUDITORS' REPORT

To the members of Samuel Heath & Sons PLC

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

Respective responsibilities of directors and auditors

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

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

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

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

Basis of audit opinion

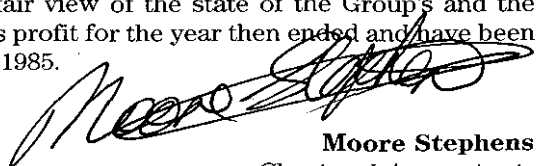
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the Group's and the Company's affairs as at 31st March 1999 and of the Group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Charterhouse
165, Newhall Street
Birmingham B3 1SW


Moore Stephens
Chartered Accountants
and Registered Auditor
27th July 1999



Samuel Heath & Sons PLC
(and subsidiary companies)

GROUP PROFIT AND LOSS ACCOUNT

for the year ended 31st March 1999

	<i>Notes</i>	1999		1998	
		£000	£000	£000	£000
Turnover	(2)				
Continuing operations		10,245		10,353	
Discontinued operations		495	10,740	495	10,848
		<u> </u>		<u> </u>	
Cost of sales			5,250		5,274
			<u> </u>		<u> </u>
Gross profit			5,490		5,574
Distribution costs		345		342	
Administrative expenses		4,209	4,554	4,218	4,560
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
Operating profit	(4)				
Continuing operations		1,035		1,119	
Discontinued operations		(99)	936	(105)	1,014
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
Interest receivable			18		5
			<u> </u>		<u> </u>
Profit on ordinary activities before taxation			954		1,019
Taxation	(5)		234		285
			<u> </u>		<u> </u>
Profit on ordinary activities after taxation			720		734
<i>Deduct: Dividends</i>					
Interim of 3.5 pence per share (1998: 3.5 pence)		101		105	
Proposed final of 5.0 pence per share (1998: 4.5 pence)		142	243	135	240
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
Added to reserves	(15)		477		494
			<u> </u>		<u> </u>
Earnings per share					
The profit after taxation, £720,000 related to 2,920,000 ordinary shares, being the average number in issue during the year (1998: £734,000 related to 3,000,000 ordinary shares)			24.7 pence		24.5 pence

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



Samuel Heath & Sons PLC
(and subsidiary companies)

BALANCE SHEETS

31st March 1999

	<i>Notes</i>	Group		Parent company	
		1999	1998	1999	1998
		£000	£000	£000	£000
Fixed assets					
Tangible assets	(6) & (7)	2,228	2,530	2,228	2,530
Investments	(8)	—	—	399	399
		<u>2,228</u>	<u>2,530</u>	<u>2,627</u>	<u>2,929</u>
Current assets					
Stocks	(9)	1,781	1,965	1,781	1,965
Debtors	(10)	1,750	1,858	1,750	1,858
Cash at bank		1,149	671	1,149	671
		<u>4,680</u>	<u>4,494</u>	<u>4,680</u>	<u>4,494</u>
Creditors: amounts falling due within one year					
Corporation tax		157	252	157	252
Amounts owed to Group undertakings		—	—	1,052	1,052
Other creditors	(11)	1,252	1,552	1,252	1,552
		<u>1,409</u>	<u>1,804</u>	<u>2,461</u>	<u>2,856</u>
Net current assets		<u>3,271</u>	<u>2,690</u>	<u>2,219</u>	<u>1,638</u>
Total assets less current liabilities		<u>5,499</u>	<u>5,220</u>	<u>4,846</u>	<u>4,567</u>
Provision for liabilities and charges	(13)	<u>171</u>	179	<u>171</u>	179
		<u><u>5,328</u></u>	<u><u>5,041</u></u>	<u><u>4,675</u></u>	<u><u>4,388</u></u>
<i>Financed by:</i>					
Capital and reserves					
Called up share capital	(14)	284	300	284	300
Capital redemption reserve	(15)	80	64	80	64
Profit and loss account	(15)	4,964	4,677	4,311	4,024
Equity shareholders' funds		<u><u>5,328</u></u>	<u><u>5,041</u></u>	<u><u>4,675</u></u>	<u><u>4,388</u></u>

Signed on behalf of the Board on 27th July 1999

S. B. Heath
Chairman



Samuel Heath & Sons PLC
(and subsidiary companies)

GROUP CASH FLOW STATEMENT

for the year ended 31st March 1999

	Notes	1999 £000	1998 £000
Net cash inflow from operating activities	(20)	1,074	1,277
Returns on investments and servicing of finance			
Interest received		<u>18</u>	<u>5</u>
Net cash inflow from returns on investments and servicing of finance		18	5
Taxation			
U.K. corporation tax paid		(271)	(173)
Capital expenditure			
Purchase of tangible fixed assets		(191)	(403)
Sale of tangible fixed assets		<u>90</u>	<u>88</u>
Net cash (outflow) for capital expenditure		(101)	(315)
Disposal of business	(21)	184	-
Financing			
Purchase of own shares		<u>(190)</u>	<u>-</u>
Net cash (outflow) for financing		(190)	-
Equity dividends paid		(236)	(225)
Increase in cash	(22)	<u>478</u>	<u>569</u>

- RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS -

for the year ended 31st March 1999

	1999 £000	1998 £000
Profit for the financial year	720	734
Dividends	<u>(243)</u>	<u>(240)</u>
Purchase of own shares	477	494
Opening shareholders' funds	<u>5,041</u>	<u>4,547</u>
Closing shareholders' funds	<u>5,328</u>	<u>5,041</u>



Samuel Heath & Sons PLC

NOTES FORMING PART OF THE ACCOUNTS

31st March 1999

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 1999 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.

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
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:

	1999	1998
	£000	£000
Europe-E.U.	1,633	1,676
-Non E.U.	136	160
Americas	1,846	1,419
Africa	16	24
Asia and Australasia	223	410
	<u>3,854</u>	<u>3,689</u>

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



Samuel Heath & Sons PLC

NOTES FORMING PART OF THE ACCOUNTS

(continued)

3. Contributions to turnover and profit

	1999		1998	
	Turnover £000	Profit £000	Turnover £000	Profit £000
Metal products	10,245	1,053	10,353	1,124
Pottery	495	(99)	495	(105)
	<u>10,740</u>	<u>954</u>	<u>10,848</u>	<u>1,019</u>

4. Operating profit

(a) Operating costs are analysed as follows:

	Continuing operations £000	Dis- continued operations £000	1999 Total £000	Continuing operations £000	Dis- continued operations £000	1998 Total £000
Cost of sales	5,006	244	5,250	5,043	231	5,274
Distribution costs	345	-	345	319	23	342
Administration expenses	3,859	350	4,209	3,872	346	4,218
	<u>9,210</u>	<u>594</u>	<u>9,804</u>	<u>9,234</u>	<u>600</u>	<u>9,834</u>

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

	1999 £000	£000	1998 £000	£000
Directors' emoluments for the year:				
Fees	26		18	
Management remuneration (salaries and benefits)	268		286	
Performance related payments	32	326	32	336
		<u>326</u>		<u>336</u>
Depreciation (less surplus on disposals £75,000)		248		363
Hire and leasing of motor vehicles		51		7
Auditors' remuneration:				
Audit		30		26
Other services		5		1
Credit for contributions to pension scheme		(66)		(147)
		<u>(66)</u>		<u>(147)</u>



Samuel Heath & Sons PLC

NOTES FORMING PART OF THE ACCOUNTS

(continued)

5. Taxation

	1999		1998	
	£000	£000	£000	£000
Corporation tax		265		266
Transfer to deferred taxation to equalise capital allowances	4		13	
Future tax relief on provision for contributions to pension scheme	20	24	51	64
Overprovision for prior years		(55)		(45)
		234		285

Corporation tax is at an effective rate of 31% (1998: 31%).

6. Tangible fixed assets of the Group

	Total £000	Land and buildings £000	Plant and equipment £000	Vehicles £000
Cost				
At 31st March 1998	4,749	1,315	3,025	409
Additions	191	24	135	32
Disposals	(525)	(132)	(265)	(128)
At 31st March 1999	4,415	1,207	2,895	313
Aggregate depreciation				
At 31st March 1998	2,219	337	1,666	216
Charge for the year	323	25	223	75
Disposals	(355)	(40)	(224)	(91)
At 31st March 1999	2,187	322	1,665	200
Book value				
At 31st March 1999	2,228	885	1,230	113
At 31st March 1998	2,530	978	1,359	193

The book value at 31st March 1999 of land and buildings is made up as follows:

	1999 £000	1998 £000
Freehold land and buildings	734	823
Long leasehold land and buildings	151	155
	885	978

The net book value of freehold land and buildings includes £46,000 (1998: £55,000) in respect of land which is not depreciated.



Samuel Heath & Sons PLC

NOTES FORMING PART OF THE ACCOUNTS

(continued)

7. Tangible fixed assets of the Parent Company

	Total £000	Land and buildings £000	Plant and equipment £000	Vehicles £000
Cost				
At 31st March 1998	4,691	1,311	2,971	409
Additions	191	24	135	32
Disposals	(525)	(132)	(265)	(128)
At 31st March 1999	<u>4,357</u>	<u>1,203</u>	<u>2,841</u>	<u>313</u>
Aggregate depreciation				
At 31st March 1998	2,161	333	1,612	216
Charge for the year	323	25	223	75
Disposals	(355)	(40)	(224)	(91)
At 31st March 1999	<u>2,129</u>	<u>318</u>	<u>1,611</u>	<u>200</u>
Book value				
At 31st March 1999	<u>2,228</u>	<u>885</u>	<u>1,230</u>	<u>113</u>
At 31st March 1998	<u>2,530</u>	<u>978</u>	<u>1,359</u>	<u>193</u>

The book value at 31st March 1999 of land and buildings is made up as follows:

	1999 £000	1998 £000
Freehold land and buildings	734	823
Long leasehold land and buildings	151	155
	<u>885</u>	<u>978</u>

The net book value of freehold land and buildings includes £46,000 (1998: £55,000) in respect of land which is not depreciated.

8. (a) Investments

	1999 Company £000	1998 Company £000
Shares in subsidiaries		
Cost at 31st March 1998	852	852
Amount written off to date	453	453
Book value at 31st March 1999	<u>399</u>	<u>399</u>



Samuel Heath & Sons PLC

NOTES FORMING PART OF THE ACCOUNTS

(continued)

8. (b) Details of subsidiary companies

All subsidiaries are wholly owned and are dormant.

The cumulative amount of goodwill written off the subsidiaries which were in the group at 31st March 1999 was £518,000.

9. Stocks

	1999		1998	
	Group £000	Company £000	Group £000	Company £000
Raw material	375	375	397	397
Work in progress	675	675	809	809
Goods for resale	731	731	759	759
	<u>1,781</u>	<u>1,781</u>	<u>1,965</u>	<u>1,965</u>

10. Debtors

	1999		1998	
	Group £000	Company £000	Group £000	Company £000
Recoverable within one year:				
Trade debtors	1,681	1,681	1,814	1,814
Other debtors	39	39	-	-
Prepayments	30	30	44	44
	<u>1,750</u>	<u>1,750</u>	<u>1,858</u>	<u>1,858</u>

11. Creditors

	1999		1998	
	Group £000	Company £000	Group £000	Company £000
Trade creditors	698	698	1,047	1,047
Accruals	155	155	126	126
Social security, income tax and V.A.T.	257	257	244	244
Proposed dividend	142	142	135	135
	<u>1,252</u>	<u>1,252</u>	<u>1,552</u>	<u>1,552</u>



Samuel Heath & Sons PLC

NOTES FORMING PART OF THE ACCOUNTS

(continued)

12. Deferred taxation	1999 Group and Company £000	1998 Group and Company £000
Deferred tax liability at 31st March 1998	144	80
Charge in respect of accelerated capital allowances	4	13
Charge in respect of future tax relief on contributions to pension scheme	20	51
Deferred tax liability at 31st March 1999	168	144
<i>Transfer</i> : asset representing future tax relief on contributions to pension scheme, set off against pensions provision, as note 13	1	21
Liability representing accelerated capital allowances	169	165
<i>Deduct</i> : advance corporation tax on proposed dividend	-	(34)
Deferred liability referred to in note 13	169	131
<i>The potential contingent liability at 30% (1998: 31%) not provided was:</i>		
Accelerated capital allowances	117	121
Deferred capital gains	15	15
	<u>132</u>	<u>136</u>

13. Provision for liabilities and charges	1999 Group and Company £000	1998 Group and Company £000
Provision for future contributions to pension scheme:		
Balance at 31st March 1998	69	216
Credit for year	(66)	(147)
Balance at 31st March 1999	3	69
<i>Deduct</i> : deferred tax asset, as note 12	(1)	(21)
	2	48
Deferred taxation, as note 12	169	131
	<u>171</u>	<u>179</u>

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	1999 Company £000	1998 Company £000
<i>Authorised</i>		
5,000,000 Ordinary shares of 10 pence each	500	500
<i>Allotted, called up and fully paid</i>		
2,841,212 Ordinary shares of 10 pence each	284	300

Between September 1998 and March 1999 the company purchased 158,788 of its own shares for a total of £189,362.



Samuel Heath & Sons PLC

NOTES FORMING PART OF THE ACCOUNTS

(continued)

15. Reserves

	Profit and loss account		Capital redemption reserve	
	1999		1999	
	Group £000	Company £000	Group £000	Company £000
Opening balance	4,677	4,024	64	64
Premium on redemption of shares	(174)	(174)	-	-
Transfer to capital redemption reserve	(16)	(16)	16	16
Retained profit	477	477	-	-
	<u>4,964</u>	<u>4,311</u>	<u>80</u>	<u>80</u>

16. Particulars of staff

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

	1999	1998
Monthly paid	76	77
Weekly paid	148	160
	<u>224</u>	<u>237</u>

The total staff costs were as follows:

	£000	£000
Wages and salaries	3,719	3,627
Social security costs	272	282
Defined benefit pension scheme costs	431	405
	<u>4,422</u>	<u>4,314</u>

The highest paid director's emoluments were £86,000 (1998: £105,000).

Pension benefits are accruing under defined benefit schemes for three directors (1998: three).

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

Emoluments	Salary £	Fee £	Benefits in kind £	Performance	Total 1999 £	Total
				related bonuses £		1998 £
Executive						
S. B. Heath	65,000	100	15,372	-	80,472	104,729
D. J. Pick	62,500	100	10,654	13,000	86,254	81,413
D. J. Richardson	50,267	100	7,082	11,250	68,699	69,826
W. J. Lancashire	49,256	100	7,870	7,500	64,726	62,494
Non Executive						
D. F. Coplestone	-	6,100	1,387	-	7,487	6,192
C. J. B. Flint (from 26.1.1998)	-	6,100	-	-	6,100	876
D. B. Legge	-	6,100	-	-	6,100	5,100
M. J. Legge	-	6,100	-	-	6,100	5,100



Samuel Heath & Sons PLC

NOTES FORMING PART OF THE ACCOUNTS

(continued)

16. Particulars of staff (continued)

Pension benefits	Increase in accrued pension during the year £ per annum	Transfer value of increase £	Accumulated total accrued pension at the year end £ per annum
D. J. Pick	3,040	20,032	14,289
D. J. Richardson	1,417	15,971	18,640
W. J. Lancashire	2,097	19,160	17,572

17. Future capital expenditure

The approximate amount at 31st March 1999 of capital expenditure not provided for in these accounts was as follows:

	1999 Group and Company £000	1998 Group and Company £000
Contracted for	31	21

18. Operating leases

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

	1999 £000	1998 £000
Other (Motor vehicles)		
Between one and five years	54	41

19. Pension commitments

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

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

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

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

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

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



Samuel Heath & Sons PLC

NOTES FORMING PART OF THE ACCOUNTS

(continued)

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

	1999 £000	1998 £000
Operating profit	936	1,014
Depreciation charges less surplus on disposals	248	363
Pension scheme credit	(66)	(147)
(Increase)/decrease in stocks	116	(184)
(Increase)/decrease in debtors	147	(19)
Increase/(decrease) in creditors	(307)	250
Net cash inflow from operating activities	<u>1,074</u>	<u>1,277</u>
Continuing activities	1,112	1,277
Discontinued activities	<u>(38)</u>	<u>-</u>

21. Cash flow effect of business disposal

	1999 £000
Tangible fixed assets	155
Stocks	68
Total consideration	<u>223</u>
Cash consideration	184
Deferred until 31st December 1999	39
	<u>223</u>

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

	1999 £000	1998 £000
Increase in cash in the period	478	569
Movement in net funds in the period	478	569
Net funds at 31st March 1998	671	102
Net funds at 31st March 1999	<u>1,149</u>	<u>671</u>



Samuel Heath & Sons PLC

NOTES FORMING PART OF THE ACCOUNTS

(continued)

23. Analysis of net funds

	At 31st March 1999 £000	Cash flow £000	At 31st March 1998 £000
Cash at bank	<u>1,149</u>	<u>478</u>	<u>671</u>

24. Controlling party

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



Samuel Heath & Sons PLC

NOTICE OF MEETING

Notice is hereby given that the one hundred and ninth Annual General Meeting of the Company will be held at the registered office of the Company, Leopold Street, Birmingham on 27th August 1999 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 1999 be approved and adopted.
2. That a final dividend for the year ended 31st March 1999 of 5.0 pence per share be declared payable on 27th August 1999 to ordinary shareholders registered at the close of business on 27th July 1999.
3. That Mr. S.B. Heath who retires by rotation be re-elected a director.
4. That Mr. D.F. Coplestone who retires by rotation be re-elected a director.
5. 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 6 and 7 will be proposed as an Ordinary Resolution and Resolution 8 as a Special Resolution.

6. That the Company be authorised, pursuant to Article 10 of the Articles of Association of the Company, to make market purchases (within the meaning of Section 163 of the Companies Act 1985) on the London Stock Exchange up to a cumulative maximum of 426,182 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.

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

7. That the Directors of the Company be and they are hereby generally and unconditionally authorised, (in substitution for any authorities previously granted to the Directors), pursuant to 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 £28,412 provided that this authority shall



Samuel Heath & Sons PLC

NOTICE OF MEETING

(continued)

expire on 27th August 2004 save that the Company may before such expiry make offers, agreements or arrangements which would or might require relevant securities to be allotted after such expiry and so that the Directors of the Company may allot relevant securities in pursuance of such offers, agreements or arrangements as if the authority conferred hereby had not expired.

8. That the Directors of the Company be and they are hereby empowered pursuant to Section 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 4 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 £28,412 provided that this power shall expire at the conclusion of the next Annual General Meeting of the Company or, if earlier, 15 months from the passing of this resolution, save that the Company may before such expiry make offers, agreements or arrangements which would or might require equity securities to be allotted after such expiry and so that the Directors of the Company may allot equity securities in pursuance of such offers, agreements or arrangements as if the power conferred hereby had not expired.

By order of the Board

J. Park
Secretary

27th July 1999

Notes:

1. Any member entitled to attend and vote at the above Meeting may appoint one or more persons as proxies, who need not also be members, to attend and vote on his behalf. Proxy forms must be lodged with the Secretary at the registered office not later than 48 hours before the time fixed for the meeting.
2. A statement of the share transactions of each Director for the twelve months to 28th June 1999 is available for inspection at the registered office during usual business hours on any weekday (excluding Saturdays and public holidays) until 26th August 1999 and will also be available at the Annual General Meeting from 11.45 a.m. until 15 minutes after the meeting is closed.