

# **SAMUEL HEATH & SONS PLC**

Report and Accounts

for the year ended 31st March 2011

## **SAMUEL HEATH**



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**DIRECTORS AND OFFICERS**

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**Directors:** Samuel B. Heath\*  
(Chairman)  
David J. Pick  
(Managing Director)  
Martin J. Legge \* +  
(Senior Non-executive)  
David F. Coplestone \* +  
(Non-executive)  
Neil Bosworth  
(Manufacturing Director)  
Anthony R. Buttanshaw \* +  
(Non-executive)  
Martyn P. Whieldon  
(Director)  
Paul B. Turner, ACMA  
(Director)

\*Member of remuneration committee  
+Member of audit committee

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**Secretary:** John Park

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**Group Management Board:** Alan Cogzell

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**Registered Office:** Cobden Works  
Leopold Street  
Birmingham  
B12 0UJ  
Registered No. 00031942

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**Registrar:** Capita Registrars  
Northern House  
Woodsome Park  
Fenay Bridge  
Huddersfield  
HD8 0LA

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**Auditors:** RSM Tenon Audit Limited  
Charterhouse  
Legge Street  
Birmingham  
B4 7EU

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**Nominated Advisor and Nominated Broker:** Zeus Capital Limited  
3 Ralli Courts  
West Riverside  
Manchester  
M3 5FT

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**CHAIRMAN'S STATEMENT**

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I have pleasure in reporting an increased profit before tax for the year of £550,000 (2010: £336,000) on sales of £9,832,000, 3.2% up on last year's of £9,529,000. This is certainly a move in the right direction, despite far from easy trading conditions.

During the year, amongst our expenditure, we updated our computer system, which we believe will give us long term benefits. This, plus the cost of financing the much increased price of brass, saw our total cash and financial assets reduce from £2,268,000 to £2,058,000.

David Coplestone has decided that it is the right time for him to retire as a director at the Annual General Meeting in August. He has been involved with the Company for forty-three years, twenty-seven of them in a senior executive position. He became my Deputy Managing Director and his contribution to the firm is incalculable. I am sure that all shareholders will join me in thanking him and wishing him a long retirement.

After the improvement in profits, it would be good to be able to give an upbeat forecast for the coming year. We are not able to do that. As we have budgeted, the year has started extremely slowly with uncertainty in practically all of our markets, most particularly in our biggest, the UK. If copper and zinc prices continue at least to stabilize, this could help, but there is very little else to cheer us.

However our net assets remain strong amounting to £6,350,000 (2010: £6,037,000). We therefore propose a same again final dividend of 6.25p per share, making a total of 11.75p for the year.

A handwritten signature in black ink, appearing to read 'Sam Heath', with a horizontal line underneath it.

**Sam Heath**  
*Chairman*

7th July 2011

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**DIRECTORS' REPORT**


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The directors present their annual report on the affairs of the Group, together with the financial statements and auditors' report, for the year ended 31st March 2011.

**Principal activities**

The Group engages in the manufacture and marketing of a wide range of products in the builders' hardware and bathroom field.

**Business review and key performance indicators**

A review of the business of the Group and future developments is set out in the Chairman's Statement on page 3.

The Board consider that the key financial performance indicators are those that communicate the financial performance and strength of the Company and are highlighted in the Chairman's Statement.

**Financial risk management**

The Group's financial risk management policies are disclosed on page 30.

**Dividends**

The directors recommend a final dividend of 6.25 pence per share which will be proposed as a resolution at the forthcoming Annual General Meeting.

**Donations**

No donations were made during the year (2010: £Nil).

**Directors**

The directors who were in office at the end of the financial year and their interests, were as follows:

<i>Beneficial interests:</i>		<b>31st March 2011</b>	31st March 2010 <i>(or date of appointment if later)</i>
S. B. Heath	Chairman	<b>488,081</b>	487,081
D. F. Coplestone	Non-Executive	<b>104,500</b>	104,500
M. J. Legge	Senior Non-Executive	<b>30,000</b>	30,000
D. J. Pick	Managing Director	<b>4,500</b>	4,500
N. Bosworth	Manufacturing Director	<b>1,000</b>	1,000
A. R. Buttanshaw	Non-Executive	<b>1,000</b>	1,000
P. B. Turner*	Director	<b>1,000</b>	-
M. P. Whieldon*	Director	<b>1,000</b>	-
<i>Non-beneficial interests:</i>			
M. J. Legge	Senior Non-Executive	-	10,000

\* Appointed 8th July 2010.

Director's remuneration is disclosed in note 24.

The directors retiring by rotation are Mr M.J. Legge and Mr A.R. Buttanshaw who offer themselves for re-election. Resolutions will be proposed that they be re-elected.

**DIRECTORS' REPORT**

(continued)

**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 A. R. Buttanshaw is a qualified accountant and has held a number of directorships in both public and private companies during his working life.

None of the directors has a material interest in any contract of significance with the Company.

**Other major shareholdings**

On 1st July 2011, the company had been notified, in accordance with chapter 5 of Disclosures and Transparency Rules, of the following voting rights as a shareholder of the company:

	Percentage of voting rights and issued share capital	Number of shares
C. A. Heath	14.9	378,710
G. S. Heath	14.9	378,710
S. A. Perkins (née Heath)	10.8	272,810
Solid Brass AB	10.5	265,771

**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.

**Risk**

The risks to the Company's future are the usual ones for an exporting manufacturing organisation – commodity prices, variation in currencies, which affect both our return and the price of our purchases, and the general state of trade, throughout the world.

**Environment**

The Company takes its environmental obligations very seriously. Our packaging is made from re-cycled materials wherever possible and any waste packaging is re-cycled locally. The Company strives to improve energy efficiencies and has made significant savings in gas and electricity usage. Solvent usage has also reduced, with any solvents that are used being in fully enclosed systems to reduce any release into the environment, any such solvent are totally re-cycled. Preparatory work has been undertaken with a view to seek certification of ISO 14001 "Environmental Management System". In addition we continually monitor our Carbon Footprint, with the aim of continual improvement.

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**DIRECTORS' REPORT**

(continued)

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**Information to shareholders**

The Company has its own website ([www.samuel-heath.com](http://www.samuel-heath.com)) for the purposes of improving information flow to shareholders as well as potential investors.

**Corporate governance**

The Directors support high standards of corporate governance. As the Company is an AIM company, it is not required to comply with the provisions of the Corporate Governance Code issued in 2010 by the Financial Reporting Council (the "Code"). The Company aims to support the principles set out in the Code and complies in some areas where it considers it appropriate to do so given both the size and resources available to the Company.

**Derivatives and other financial instruments**

International Financial Reporting Standards (IFRS) require 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 level for the Board to consider the currency risk acceptable. In addition, the Group will enter into foreign exchange contracts to mitigate potential exposure as the Board deem appropriate.

**Supplier payment policy**

The policy for payment of suppliers is to make payment in accordance with the agreed terms and conditions of trade.

At 31st March 2011 the creditor days compared to the value of supplier invoices received in the year was 30 days.

**Disclosure of information to auditors**

The Directors who held office at the date of approval of this Directors' Report each confirm the following:

- so far as he is aware, there is no relevant audit information of which the Company's auditors are aware, and
- he has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

**Auditors**

RSM Tenon Audit Limited has expressed its willingness to continue in office as auditor and a resolution is to be proposed that RSM Tenon Audit Limited be reappointed as auditor at the forthcoming Annual General Meeting.



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**DIRECTORS' REPORT**

(continued)

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**Statement of Directors' Responsibilities**

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) adopted for use in the European Union and applicable law. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the Company and of the profit or loss of the Group and Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

*On behalf of the Board*

**S.B. Heath**

*Chairman*

7th July 2011

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**INDEPENDENT AUDITOR'S REPORT**

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

We have audited the consolidated financial statements of Samuel Heath & Sons plc for the year ended 31 March 2011 which comprise the Group and Parent Company Statements of Financial Position, the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Statement of Cash Flows, the Group and Parent Company Statements of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as regards the parent company financial statements as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 explained more fully in the Directors' Responsibilities Statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

**Scope of the audit**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Chairman's Statement and Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Opinion on financial statements**

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2011 and of the group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

**Separate opinion in relation to IFRSs as issued by the IASB**

As explained in note 3 to the group financial statements, the group in addition to complying with its legal obligation to apply IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the group financial statements comply with IFRSs as issued by the IASB.

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**INDEPENDENT AUDITORS' REPORT**

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(continued)

**Opinion on other matters prescribed by the Companies Act 2006**

In our opinion:

- the information given in the Chairman's Statement and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Mark Vincent  
Senior Statutory Auditor  
For and behalf of:  
RSM Tenon Audit Limited, Statutory Auditor  
7th July 2011

Charterhouse  
Legge Street  
Birmingham  
B4 7EU

**CONSOLIDATED INCOME STATEMENT**

for the year ended 31st March 2011

	Note	2011 £000	2010 £000
<b>Continuing operations</b>			
<b>Revenue</b>	5	9,832	9,529
Cost of sales		(4,990)	(4,968)
<b>Gross profit</b>		<u>4,842</u>	<u>4,561</u>
Distribution costs		(2,987)	(2,784)
Administrative expenses		(1,371)	(1,372)
<b>Operating profit</b>	6	<u>484</u>	405
<b>Gain on sale of financial assets</b>		51	19
<b>Finance income</b>	8	606	370
<b>Finance costs</b>	9	(591)	(458)
<b>Profit before taxation</b>		<u>550</u>	336
Taxation	10	(127)	(104)
<b>Profit for the year</b>		<u>423</u>	<u>232</u>
Basic and diluted earnings per ordinary share	12	<u>16.7p</u>	<u>9.2p</u>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

for the year ended 31st March 2011

		2011 £000	2010 £000
Profit for the year		<u>423</u>	<u>232</u>
Actuarial gain/(loss) on defined benefit pension scheme	25	345	(1,162)
Deferred taxation on actuarial (gain)/loss	19	(114)	325
(Loss)/gain on available for sale financial assets	16	(45)	128
Cash flow hedges	21	2	103
Other comprehensive income for the year		<u>188</u>	<u>(606)</u>
<b>Total comprehensive income for the year</b>		<u>611</u>	<u>(374)</u>

As permitted by section 408 of the Companies Act 2006 the Income Statement of the Parent Company is not presented as part of these financial statements. The Parent Company's profit before tax for the year is £550,000 (2010 £336,000).

**STATEMENTS OF FINANCIAL POSITION**

31st March 2011

		Group		Company	
	Note	2011 £000	2010 £000	2011 £000	2010 £000
<b>Non-current assets</b>					
Intangible assets	13	207	172	207	172
Property, plant and equipment	14	2,135	2,239	2,135	2,239
Investments	15	-	-	399	399
Deferred tax asset	19	411	577	411	577
		<u>2,753</u>	<u>2,988</u>	<u>3,152</u>	<u>3,387</u>
<b>Current assets</b>					
Inventories	17	2,547	2,405	2,547	2,405
Trade and other receivables	18	1,903	1,653	1,903	1,653
Derivative financial instruments	21	2	-	2	-
Available for sale financial assets	16	1,505	1,198	1,505	1,198
Cash and cash equivalents		553	1,070	553	1,070
		<u>6,510</u>	<u>6,326</u>	<u>6,510</u>	<u>6,326</u>
<b>Total assets</b>		<u>9,263</u>	<u>9,314</u>	<u>9,662</u>	<u>9,713</u>
<b>Current liabilities</b>					
Trade and other payables	20	(1,167)	(929)	(1,167)	(929)
Amounts owed to group undertakings		-	-	(1,052)	(1,052)
Current tax payable		(87)	(112)	(87)	(112)
		<u>(1,254)</u>	<u>(1,041)</u>	<u>(2,306)</u>	<u>(2,093)</u>
<b>Non-current liabilities</b>					
Retirement benefit scheme	25	(1,521)	(2,061)	(1,521)	(2,061)
Deferred tax liability	19	(138)	(175)	(138)	(175)
		<u>(1,659)</u>	<u>(2,236)</u>	<u>(1,659)</u>	<u>(2,236)</u>
<b>Total liabilities</b>		<u>(2,913)</u>	<u>(3,277)</u>	<u>(3,965)</u>	<u>(4,329)</u>
<b>Net assets</b>		<u>6,350</u>	<u>6,037</u>	<u>5,697</u>	<u>5,384</u>
<b>Equity</b>					
Called up share capital	22	254	254	254	254
Capital redemption reserve		109	109	109	109
Retained earnings		5,987	5,674	5,334	5,021
		<u>6,350</u>	<u>6,037</u>	<u>5,697</u>	<u>5,384</u>
<b>Equity shareholders' funds</b>		<u>6,350</u>	<u>6,037</u>	<u>5,697</u>	<u>5,384</u>

The financial statements were approved by the Board on 7th July 2011 and signed on its behalf by:

**S.B. Heath**  
*Chairman*

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

for the year ended 31st March 2011

	Share capital	Capital redemption reserve	Retained earnings	Total equity
	£000	£000	£000	£000
<b>Balance at 31st March 2009</b>	<b>254</b>	<b>109</b>	<b>6,346</b>	<b>6,709</b>
Equity dividends paid	-	-	(298)	(298)
Profit for the year	-	-	232	232
Other comprehensive income for the year	-	-	(606)	(606)
<b>Balance at 31st March 2010</b>	<b>254</b>	<b>109</b>	<b>5,674</b>	<b>6,037</b>
Equity dividends paid	-	-	(298)	(298)
Profit for the year	-	-	423	423
Other comprehensive income for the year	-	-	188	188
<b>Balance at 31st March 2011</b>	<b>254</b>	<b>109</b>	<b>5,987</b>	<b>6,350</b>

**STATEMENT OF CHANGES IN EQUITY (PARENT COMPANY)**

for the year ended 31st March 2011

	Share capital	Capital redemption reserve	Retained earnings	Total Equity
	£000	£000	£000	£000
<b>Balance at 31st March 2009</b>	<b>254</b>	<b>109</b>	<b>5,693</b>	<b>6,056</b>
Equity dividends paid	-	-	(298)	(298)
Profit for the year	-	-	232	232
Other comprehensive income for the year	-	-	(606)	(606)
<b>Balance at 31st March 2010</b>	<b>254</b>	<b>109</b>	<b>5,021</b>	<b>5,384</b>
Equity dividends paid	-	-	(298)	(298)
Profit for the year	-	-	423	423
Other comprehensive income for the year	-	-	188	188
<b>Balance at 31st March 2011</b>	<b>254</b>	<b>109</b>	<b>5,334</b>	<b>5,697</b>

**CONSOLIDATED STATEMENT OF CASHFLOWS**

for the year ended 31st March 2011

**Group and Parent Company**

	Note	<b>2011</b> <b>£000</b>	2010 £000
<b>Net cash inflow from operating activities</b>	23	<b>357</b>	1,216
<b>Cash flow from investing activities</b>			
Purchase of property, plant and equipment		<b>(319)</b>	(97)
Proceeds from sale of property, plant and equipment		<b>6</b>	21
Purchase of intangible assets		<b>(42)</b>	(111)
Purchase of available for sale financial assets		<b>(602)</b>	(545)
Proceeds from sale of available for sale financial assets		<b>302</b>	264
Interest received		<b>79</b>	49
<b>Net cash outflow from investing activities</b>		<b>(576)</b>	(419)
<b>Net cash outflow from financing activities</b>			
Equity dividends paid	11	<b>(298)</b>	(298)
<b>Net cash outflow from financing activities</b>		<b>(298)</b>	(298)
<b>(Decrease)/increase in cash and cash equivalents</b>		<b>(517)</b>	499
Cash and cash equivalents at beginning of period		<b>1,070</b>	571
Cash and cash equivalents at end of period		<b>553</b>	1,070

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**NOTES FORMING PART OF THE ACCOUNTS**

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**1. General information**

Samuel Heath & Sons PLC is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is Cobden Works, Leopold Street, Birmingham, B12 0UJ. The nature of the Group's operations and its principal activities during the period were the manufacture of a wide range of products in the builders' hardware and bathroom field. These Financial Statements are presented in Pounds Sterling because that is the currency of the primary economic environment in which the Group operates.

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**2. Adoption of new and revised standards**

The Group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for accounting periods beginning on 1st April 2010. The adoption of the following IFRSs has not impacted upon the financial statements:

*IFRIC 10 – Interim Financial Reporting and Impairment*

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

*IAS 27 – Consolidated and Separate Financial Statements (revised 2008)*

*IFRIC 11 – IFRS 2 - Group and Treasury Share Transactions*

*IFRS 7 – Financial Instruments: Disclosures*

*IFRS 9 – Financial Instruments (revised 2010)*

*IFRS 10 – Consolidated Financial Statements*

*IFRS 12 – Disclosure of Interests in Other Entities*

*IFRS 13 – Fair Value Measurement*

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**3. Accounting policies*****Basis of accounting***

The financial statements, upon which this financial information is based, have been prepared using accounting policies consistent with International Financial Reporting Standards (IFRS).

The financial statements, upon which this financial information is based, have been prepared under the historical cost basis, except for the valuation of Available For Sale assets which have been revalued to market value. The principal accounting policies adopted are set out below.

***Basis of consolidation***

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31st March each year. Control is achieved where the Company has the power to govern the financial and operating policies so as to obtain benefits from its activities.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

***Business combinations***

The purchase method of accounting is used for all acquired businesses as defined by IFRS 3 – Business Combinations. As a result of the application of the purchase method of accounting, goodwill is initially recognised as an asset being the excess at the date of acquisition of the fair value of the purchase consideration plus directly attributable costs of acquisition over the net fair values of the identifiable assets, liabilities and contingent liabilities of the subsidiaries acquired. Where fair values are estimated on a provisional basis they are finalised within 12 months of acquisition with consequent changes to the amount of goodwill.

***Revenue recognition***

Revenue represents amounts receivable for goods and services provided in the normal course of business, net of VAT, discounts and rebates.



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**NOTES FORMING PART OF THE ACCOUNTS**


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(continued)

**3. Accounting policies (continued)*****Foreign currency***

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each year end, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing on that date. Any differences arising are written off to the income statement. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

***Taxation***

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profits for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the year end date.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each year end date and reduced to the extent that is no longer probable that sufficient taxable profits will be available to allow all, or part, of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

***Retirement benefit costs******Defined benefit scheme***

The amount recognised in the Statement of Financial Position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, and reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to the unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan. Operating and financing costs of the scheme are recognised in the Income Statement in the period in which they arise. Changes in the scheme assets and scheme liabilities are reported in the Income Statement or the Statement of Comprehensive Income depending on the nature of the change.

***Defined contribution scheme***

The costs of the defined contribution scheme are charged in the income statement as they fall due. Both employee and employer contributions are held in trust funds separately from the Group's finances.

***Intangible assets***

Research and development costs represent typical internally generated assets of relevance for the Group. Costs incurred in relation to individual projects are capitalised only when the future economic benefit of the project is probable and it is the intention of management to complete the intangible asset and use it or sell it.

Research costs are expensed as incurred.

For intangible assets with finite useful lives, amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over its useful economic life when the asset is available for use, as follows:

Development costs	20% per annum on cost
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**NOTES FORMING PART OF THE ACCOUNTS**


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(continued)

**3. Accounting policies (continued)*****Property, plant and equipment***

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged, except on freehold land, so as to write off the cost or valuation of assets over their estimated useful lives using the straight-line method, on the following bases:

Freehold buildings	2% per annum on cost
Plant and machinery	10% per annum on cost
Vehicles	25% per annum on cost
Computer equipment	25% per annum on cost

The residual values and expected useful economic lives are re-assessed on an annual basis and no significant adjustments have been made during the current period.

***Inventories***

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated at actual price paid. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

***Financial instruments***

Financial assets and financial liabilities are recognised on the Group's statement of financial position at market value when the Group becomes a party to the contractual provisions of the instrument.

***Trade and other receivables***

Trade and other receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

***Financial liability and equity***

Financial liabilities and equity instruments are classified according to the substance of the contractual agreements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recognised at the amount of proceeds received net of costs directly attributable to the transaction. To the extent that those proceeds exceed the par value of the shares issued they are credited to a share premium account.

***Trade and other payables***

Trade and other payables are not interest-bearing and are stated at their nominal value.

***Cash and cash equivalents***

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments with a maturity of 90 days or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

***Provisions***

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the year end date, and are discounted to present value where the effect is material.

***Hedging***

The normal course of the Group's business exposes it to currency exchange rate fluctuations. In order to hedge this risk the Group enters into foreign exchange contracts as deemed appropriate. This type of arrangement under IAS39 is classified as a "Cash Flow Hedge". The proportion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity, and the ineffective portion of the gain or loss on the hedging instrument is recognised in the income statement. Upon crystallisation of the underlying transaction the gain or loss previously recognised in equity is recycled to the income statement.

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**NOTES FORMING PART OF THE ACCOUNTS**


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(continued)

**4. Critical accounting and key sources of estimation*****Critical judgments in applying the entity's accounting policies***

In the process of applying the entity's accounting policies, which are described above, the directors have made the following judgments that have the most significant effect on the amounts recognised in the financial statements.

***Income taxes***

The Group is subject to income taxes in the United Kingdom. Judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The recoverable amounts of the Group's deferred tax assets have been determined based on the Board's estimates of future taxable profits and income and tax rates.

***Key sources of estimation uncertainty***

The key assumptions concerning the future and other key sources of estimation uncertainty at the year end date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

***Valuation of intangible assets***

Intangible assets are initially valued at their cost and then evaluated periodically for impairment. For purposes of valuation an intangible asset is considered impaired if its carrying value is less than the expected net cash flow from the asset.

***Valuation of inventories***

Determining the valuation of inventories requires an estimation of the obsolescence provision required to write down items to their realisable value.

***Retirement benefit scheme deficit***

The valuation of expected returns on assets and the present value of the liabilities of the scheme are determined by assumptions and estimates made by the directors based on the current information to hand. Therefore amounts are open to fluctuations in the future due to unforeseen changes or additional factors that come to light following the year end. The assumptions and their sensitivity are disclosed in note 25.

**5. Segmental analysis**

The primary reporting format is by business segment and the second reporting format is by geographical area.

***Primary analysis by business segment***

The turnover, profit on ordinary activities and net assets of the Group are attributable to one business segment, the manufacture and marketing of products in the builders' hardware and bathroom field.

***Secondary analysis by geographical area***

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods:

**Sales revenue by geographical market**

	<b>2011</b>	2010
	<b>£000</b>	£000
Overseas	<b>3,768</b>	3,547
Home	<b>6,064</b>	5,982
	<b>9,832</b>	9,529

## NOTES FORMING PART OF THE ACCOUNTS

(continued)

**6. Profit for the year**

Profit for the year has been arrived at after charging:

	<b>2011</b>	2010
	<b>£000</b>	£000
Depreciation and impairment		
- Depreciation of property, plant and equipment	421	450
- Amortisation of intangible assets	7	3
- Impairment	-	100
Profit on disposal of property, plant and equipment	(3)	(3)
Net foreign exchange (gains)/losses	(9)	28
	<u>(9)</u>	<u>28</u>

**7. Auditors' remuneration**

	<b>2011</b>	2010
	<b>£000</b>	£000
Fees payable:		
Audit services	19	19
Assurance services	1	1
Tax services	1	1
Total fees	<u>21</u>	<u>21</u>

**8. Finance income**

	<b>2011</b>	2010
	<b>£000</b>	£000
Available for sale assets	72	49
Interest on bank deposits	3	2
Expected return on pension scheme assets	531	319
	<u>606</u>	<u>370</u>

**9. Finance costs**

	<b>2011</b>	2010
	<b>£000</b>	£000
Interest on pension scheme liabilities	<u>591</u>	<u>458</u>

## NOTES FORMING PART OF THE ACCOUNTS

(continued)

**10. Income taxes**

	<b>2011</b>	2010
	<b>£000</b>	£000
Current taxes	<b>112</b>	112
Deferred taxes	<b>15</b>	(8)
<b>Total income taxes</b>	<b>127</b>	104

Corporation tax is calculated at 28% (2010: 28%) of the estimated assessable profit for the year.

**Tax rate reconciliation**

	<b>2011</b>	2010
	<b>£000</b>	£000
Profit for the year	<b>550</b>	336
<b>Corporation tax charge thereon at 28% (2010: 28%)</b>	<b>154</b>	94
<b>Adjusted for the effects of:</b>		
Depreciation in excess of capital allowances	<b>11</b>	37
Marginal relief	<b>(19)</b>	(18)
Prior year adjustments	<b>18</b>	-
Research and development claim	<b>(9)</b>	(22)
Capitalisation of research and development expenditure	<b>(12)</b>	(31)
Loan relationships	<b>(9)</b>	29
Other adjustments	<b>(7)</b>	15
<b>Total income taxes</b>	<b>127</b>	104
<b>Effective tax rate</b>	<b>23.1%</b>	31.0%

**11. Dividends**

	<b>2011</b>	2010
	<b>£000</b>	£000
Final dividend for the year ended 31st March 2010 of 6.25 pence per share (2009: 6.25 pence per share)	<b>158</b>	158
Interim dividend for the year ended 31st March 2011 of 5.50 pence per share (2010: 5.50 pence per share)	<b>140</b>	140
	<b>298</b>	298

In addition to the dividends paid during the year the directors are recommending a final dividend for 2011 of 6.25 pence per share amounting to £158,000. The proposed final dividend is subject to approval at the Annual General Meeting and has not been included as a liability in these accounts.

**NOTES FORMING PART OF THE ACCOUNTS**

(continued)

**12. Earnings per share**

The basic and diluted earnings per share are calculated by dividing the relevant profit after taxation of £423,000 (2010: £232,000) by the average number of ordinary shares in issue during the year being 2,534,322 (2010: 2,534,322). The number of shares used in the calculation is the same for both basic and diluted earnings.

**13. Intangible assets**

	<b>Development costs £000</b>
<b>Cost</b>	
At 31st March 2009	164
Internally developed additions	111
Disposals	(100)
At 31st March 2010	<u>175</u>
Internally developed additions	42
At 31st March 2011	<u><b>217</b></u>
<b>Amortisation</b>	
At 31st March 2009	-
Charge for year	3
Impairment losses recognised in the income statement	100
Eliminated on disposal	(100)
At 31st March 2010	<u>3</u>
Charge for year	7
At 31st March 2011	<u><b>10</b></u>
<b>Net book value</b>	
At 31st March 2011	<u><b>207</b></u>
At 31st March 2010	<u>172</u>

## NOTES FORMING PART OF THE ACCOUNTS

(continued)

**14. Property, plant and equipment of the Group and of the Company**

	<b>Freehold land and buildings £000</b>	<b>Plant and equipment £000</b>	<b>Vehicles £000</b>	<b>Total £000</b>
<b>Cost</b>				
At 31st March 2009	1,528	6,013	408	7,949
Additions	-	31	59	90
Disposals	-	-	(72)	(72)
At 31st March 2010	1,528	6,044	395	7,967
Additions	-	279	41	320
Disposals	-	-	(48)	(48)
At 31st March 2011	<b>1,528</b>	<b>6,323</b>	<b>388</b>	<b>8,239</b>
<b>Depreciation</b>				
At 31st March 2009	601	4,542	189	5,332
Charge for year	30	330	90	450
Disposals	-	-	(54)	(54)
At 31st March 2010	631	4,872	225	5,728
Charge for year	30	310	81	421
Disposals	-	-	(45)	(45)
At 31st March 2011	<b>661</b>	<b>5,182</b>	<b>261</b>	<b>6,104</b>
<b>Net book value</b>				
At 31st March 2011	<b>867</b>	<b>1,141</b>	<b>127</b>	<b>2,135</b>
At 31st March 2010	897	1,172	170	2,239

The net book value of freehold land and buildings includes £86,000 (2010: £86,000) in respect of land which is not depreciated.

**15. Investments**

	<b>2011 Company £000</b>	2010 Company £000
<b>Shares in subsidiaries:</b>		
Cost at 31st March 2011	<b>852</b>	852
Amounts written off	<b>(453)</b>	(453)
Net book value 31st March 2011	<b>399</b>	399

All subsidiary undertakings are incorporated in Great Britain, wholly owned and are dormant. The cumulative amount of goodwill purchased up to 23<sup>rd</sup> December 1998 and written off against reserves in respect of subsidiaries which remained in the Group at 31<sup>st</sup> March 2011 was £518,000 (2010: £518,000).

## NOTES FORMING PART OF THE ACCOUNTS

(continued)

**16. Available for sale financial assets**

Balances as at 31st March 2011 include Corporate Bonds and Equity Securities listed on the London Stock Exchange. These have been acquired to invest excess funds.

	<b>2011 Group and Company £000</b>	2010 Group and Company £000
Balance at 31st March 2010	1,198	770
Acquisitions	602	545
Disposals	(250)	(245)
Changes in fair value recognised in equity	(45)	128
	<b>1,505</b>	1,198

The fair value of these assets is based on the current market value at the statement of financial position date compared to value at acquisition.

**17. Inventories**

	<b>2011 Group and Company £000</b>	2010 Group and Company £000
Raw materials	653	598
Work in progress	968	955
Finished goods	926	852
	<b>2,547</b>	2,405

During the period, the group consumed £4,990,000 (2010: £4,968,000) of inventories and recognised an increase in write-downs of £13,000 (2010: increase of £175,000).

There are no inventories pledged as security for liabilities.

**18. Trade and other receivables**

	<b>2011 Group and Company £000</b>	2010 Group and Company £000
Trade receivables	1,807	1,593
Allowance for doubtful receivables	(77)	(95)
	<b>1,730</b>	1,498
Prepayments and accrued income	173	155
	<b>1,903</b>	1,653

There is no material difference between the fair value of receivables and their book value.

Trade receivables are provided for based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience, and knowledge of the solvency of customers. No interest is charged on the receivables.

The Group provides for all trade receivables that are potentially irrecoverable at the reporting date. The Group does not hold any collateral over the balances that are overdue.



## NOTES FORMING PART OF THE ACCOUNTS

(continued)

**18. Trade and other receivables (continued)**

	<b>2011 Group and Company £000</b>	2010 Group and Company £000
<b>Allowance for doubtful receivables</b>		
Balance at 31st March 2010	95	98
Provision for the year	33	52
Utilised in the year	(51)	(55)
Balance at 31st March 2011	<u>77</u>	<u>95</u>

The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly the directors believe that there is no further credit provision required in excess of the allowance for doubtful receivables above. An analysis of financial risk is disclosed in note 26.

The directors consider that the carrying amount of trade and other receivables approximates their fair value.

**19. Deferred tax**

<b>Group and Company</b>	<b>Asset £000</b>	<b>Liability £000</b>
<b>At 31st March 2009</b> <i>(calculated at 28%)</i>	<b>284</b>	<b>215</b>
Recognised in the Income Statement	(32)	(40)
Recognised in equity	325	-
<b>At 31st March 2010</b> <i>(calculated at 28%)</i>	<u>577</u>	<u>175</u>
Recognised in the Income Statement	(52)	(37)
Recognised in equity	(114)	-
<b>At 31st March 2011</b> <i>(calculated at 27%)</i>	<u>411</u>	<u>138</u>

The asset is in respect of the retirement benefit scheme and the liability is in respect of accelerated tax allowances.

On 22nd June 2010, the UK government announced proposals to reduce the main rate of corporation tax from 28% to 24% over 4 years with effect from 1st April 2011. As at 31st March 2011, the change in the rate from 28% to 27% was substantially enacted and as such, in accordance with accounting standards, this change has been reflected in these financial statements.

The proposed decrease in the rate of UK Corporation Tax by 1% each year from April 2011 will be enacted annually and therefore the effect of the proposed changes to the UK tax system will be reflected in the Group's financial statements in future years, as appropriate, once the proposals have been substantively enacted. The directors consider that the effect of the reduction in the tax rate to 24% will not have a material impact upon the Company's deferred tax balances.

## NOTES FORMING PART OF THE ACCOUNTS

(continued)

**20. Trade and other payables**

	<b>2011</b>	2010
	<b>Group and</b>	Group and
	<b>Company</b>	Company
	<b>£000</b>	£000
Trade payables	<b>810</b>	607
Accruals and deferred income	<b>126</b>	102
Social security and other taxes	<b>231</b>	220
	<b>1,167</b>	929

The directors consider that the carrying amount of trade payables approximates to their fair value.

**21. Derivatives financial instruments and hedge accounting**

At 31st March 2011 the Group has in place derivatives held for cash flow hedging purposes only.

**Forward currency contracts**

<b>Contract</b>	<b>Amount</b>	<b>Reference</b>	<b>Maturity</b>	<b>Fair Value</b>
		<b>Currency</b>		<b>£000</b>
Forward currency contract	300,000	USD	30 June 2011	<b>2</b>

The purpose of this contract is to mitigate the fluctuations of expected sales (forecast) denominated in USD. The fair value of forward currency contract is based on the current value of the difference between the contractual exchange rate and the market rate at 31<sup>st</sup> March 2011.

**22. Share capital**

	<b>2011</b>	2010
	<b>£000</b>	£000
Authorised:		
5,000,000 ordinary shares of 10 pence each	<b>500</b>	500
Issued and fully paid:		
2,534,322 (2009: 2,534,322) ordinary shares of 10 pence each	<b>254</b>	254

**NOTES FORMING PART OF THE ACCOUNTS**

(continued)

**23. Notes to the cash flow statement**

	<b>2011</b>	2010
	<b>£000</b>	£000
Operating profit	<b>484</b>	405
Depreciation, amortisation and impairment	<b>428</b>	554
Gain on disposal of property, plant and equipment	<b>(3)</b>	(3)
Operating cash flows before movements in working capital	<b>909</b>	956
(Increase)/decrease in inventories	<b>(142)</b>	249
(Increase)/decrease in receivables	<b>(254)</b>	102
Increase in payables	<b>236</b>	76
Pension contributions	<b>(255)</b>	(255)
Cash generated by operations	<b>494</b>	1,128
Income tax (paid)/received	<b>(137)</b>	88
Net cash flow from operating activities	<b>357</b>	1,216

Cash and cash equivalents (which are presented as a single class of assets on the face of the statement of financial position) comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less.

## NOTES FORMING PART OF THE ACCOUNTS

(continued)

**24. Particulars of staff**

The average number of persons employed by the Company (including directors) during the year is analysed below:

	<b>2011</b>	2010
	<b>Number</b>	Number
Production	<b>91</b>	91
Distribution	<b>24</b>	26
Administration	<b>20</b>	20
Total	<b>135</b>	137

	<b>2011</b>	2010
	<b>£000</b>	£000
The total staff costs were as follows:		
Wages and salaries	<b>3,537</b>	3,480
Social security costs	<b>330</b>	324
Pension scheme costs	<b>258</b>	251
	<b>4,125</b>	4,055

**Directors' remuneration**

The remuneration of directors who served during the year was as follows:

	Salary and Fees £000	Pension Contributions £000	Bonus £000	Benefits £000	<b>Total 2011 £000</b>	Total 2010 £000
<b>Executive Directors</b>						
N. Bosworth	106	19	5	1	<b>131</b>	124
S.B. Heath	88	-	-	1	<b>89</b>	90
D.J. Pick	143	28	5	11	<b>187</b>	178
M.P. Whieldon	58	7	1	6	<b>72</b>	-
P.B. Turner	46	9	-	4	<b>59</b>	-
<b>Non-Executive Directors</b>						
A.R. Buttanshaw	8	-	-	-	<b>8</b>	8
D.F. Coplestone	8	-	-	4	<b>12</b>	11
M.J. Legge	8	-	-	-	<b>8</b>	8
	<b>465</b>	<b>63</b>	<b>11</b>	<b>27</b>	<b>566</b>	<b>419</b>

The remuneration shown above in relation to Mr M.P Whieldon and Mr P.B Turner is from the 8th July 2010 (The date appointed to the Board).

The total accrued pension in relation to the highest paid director at the year end was £43,000 (2010: £43,000).

**NOTES FORMING PART OF THE ACCOUNTS**

(continued)

**25. Retirement benefit schemes**

The Samuel Heath & Sons PLC Staff Pension and Works Pension Scheme both closed to future accrual from 30th April 2005. These schemes were merged into the Samuel Heath & Sons PLC Combined Scheme (the Combined Scheme) on 31st March 2006.

The most recent valuation of the Combined Scheme was carried out as at 31st March 2010. The liabilities were calculated using the defined accrued benefits method and assumed:

- long-term investment returns of 7.1% pa for the period before a member retires and 4.9% pa for the period after a member has retired.
- long-term future inflation rates of 3.5% pa.
- mortality rates based on the SAPS normal tables long cohort projections and minimum improvements of 1% pa.

The 2010 actuarial valuation showed the market value of the Combined Scheme's assets to be £8,400,000 (excluding Additional Voluntary Contributions), compared with the value of the accrued benefits of £10,260,000. There were therefore sufficient assets to cover 82% of the accrued benefits, based on the long-term funding assumptions.

The assets of these now combined schemes are held separately from those of the Company and Quilter manage these assets.

<b>The major assumptions used by the actuary were:</b>	<b>2011</b>	2010	2009
	<b>%</b>	%	%
Inflation	<b>3.30</b>	3.50	2.50
Rate of increase in pension payment	<b>3.30</b>	3.50	2.50
Discount rate	<b>5.60</b>	5.70	7.00

Equity returns are developed based on the selection of an equity risk premium above the risk free rate, which is measured in accordance with the yield on UK government bonds. Bond returns are selected by reference to the yields on government and corporate debt as appropriate.

**Mortality assumptions**

The mortality tables were reviewed as part of the actuarial valuation as at 31st March 2010. The current tables reflect expected future improvements in mortality rates. The assumed life expectations on retirement at age 65 are:

	<b>2011</b>	2010	2009
<b>Retiring today:</b>			
Male	<b>22.9</b>	22.0	22.0
Female	<b>25.7</b>	24.8	24.8
<b>Retiring in 20 years:</b>			
Male	<b>24.9</b>	23.1	23.1
Female	<b>27.7</b>	25.9	25.9

## NOTES FORMING PART OF THE ACCOUNTS

(continued)

**25. Retirement benefit schemes (continued)**

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Assumption	Change in assumption	Impact on scheme liabilities £000
Discount rate	Decrease by 0.5%	Increase by 1,230
	Increase by 0.5%	Decrease by 1,054
Rate of inflation	Decrease by 0.5%	Decrease by 614
	Increase by 0.5%	Increase by 694
Rate of mortality	Decrease by 1 year	Decrease by 255
	Increase by 1 year	Increase by 254

Amounts recognised within finance income/costs are as follows:

	2011 £000	2010 £000
Expected return on pension scheme assets	(531)	(319)
Interest on pension scheme liabilities	591	458
	<u>60</u>	<u>139</u>

The amount included in the statement of financial position arising from the Group's obligations in respect of its defined benefit scheme is as follows:

	2011 £000	2010 £000	2009 £000	2008 £000	2007 £000
Fair value of scheme assets	8,061	8,402	5,586	9,365	10,063
Present value of defined benefit obligations	(9,582)	(10,463)	(6,601)	(9,725)	(10,846)
Deficit in scheme	(1,521)	(2,061)	(1,015)	(360)	(783)
Related deferred tax asset	411	577	284	101	235
Net liability	<u>(1,110)</u>	<u>(1,484)</u>	<u>(731)</u>	<u>(259)</u>	<u>(548)</u>

	2011 £000	2010 £000
Deficit at 31st March 2010	2,061	1,015
Company contributions	(255)	(255)
Other finance income	60	139
Actuarial (gain)/loss	(345)	1,162
Deficit at 31st March 2011	<u>1,521</u>	<u>2,061</u>

## NOTES FORMING PART OF THE ACCOUNTS

(continued)

**25. Retirement benefit schemes (continued)****Movements in the present value of defined benefit obligations are as follows:**

	<b>2011</b>	2010
	<b>£000</b>	£000
As at 31st March 2010	<b>10,463</b>	6,601
Interest cost	<b>591</b>	458
Benefits paid	<b>(1,246)</b>	(103)
Actuarial (gain)/loss	<b>(226)</b>	3,507
As at 31st March 2011	<b>9,582</b>	10,463

**Movements in the fair value of the scheme assets are as follows:**

	<b>2011</b>	2010
	<b>£000</b>	£000
As at 31st March 2010	<b>8,402</b>	5,586
Expected returns on assets	<b>531</b>	319
Employer contributions	<b>255</b>	255
Benefits paid	<b>(1,246)</b>	(103)
Actuarial gain on assets	<b>119</b>	2,345
As at 31st March 2011	<b>8,061</b>	8,402

**The analysis of the scheme assets is set out below:**

	<b>2011</b>	2010	2009
Equity	<b>66%</b>	69%	62%
Property	<b>19%</b>	12%	1%
Corporate bonds/Gilts	<b>7%</b>	17%	35%
Hedge funds and absolute return funds	<b>4%</b>	-	-
Cash	<b>4%</b>	2%	2%

**History of experience gains and losses:**

	<b>2011</b>	2010	2009	2008	2007
	<b>£000</b>	£000	£000	£000	£000
Difference between the expected and actual return on scheme assets	<b>119</b>	2,345	(2,602)	(1,628)	(167)
Experience gains and (losses) on scheme liabilities	<b>76</b>	-	(163)	311	-
Total actuarial gains and (losses) recognised	<b>345</b>	(1,162)	(1,153)	(200)	(301)

## NOTES FORMING PART OF THE ACCOUNTS

(continued)

**26. Financial instruments: information on financial risks**

Categories of financial instruments:

	<b>2011</b>	2010
	<b>Group and</b>	Group and
	<b>Company</b>	Company
	<b>£000</b>	£000
<b>Financial assets</b>		
Trade and other receivables	1,903	1,653
Cash and cash equivalents	553	1,070
Available for sale financial assets	1,505	1,198
	<b>3,961</b>	<b>3,921</b>
<b>Financial liabilities</b>		
Trade and other payables	1,167	929

**Financial risk management policies**

The main market risks to which the Group is exposed are commodity prices, interest rates and foreign exchange. There is also exposure to credit risk and liquidity risk. The Group monitors these risks and will take appropriate action to minimise any exposure through the use of natural hedges.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	<b>Liabilities</b>		<b>Assets</b>	
	<b>2011</b>	2010	<b>2011</b>	2010
	<b>£000</b>	£000	<b>£000</b>	£000
<b>US Dollar</b>	<b>68</b>	-	<b>176</b>	195
<b>Euro</b>	<b>13</b>	12	<b>242</b>	202

**Foreign currency sensitivity analysis**

The Group is mainly exposed to the currency of US Dollar and the Euro.

In the opinion of the directors a 5% increase or decrease in sterling against the US Dollar and Euro would not have a material effect on the profit for the year and equity.

**Interest rate risk**

The Group has no borrowing and any excess funds are invested in money markets and/or available for sale financial assets. The directors believe that by constantly reviewing the options any excess funds are adequately invested.

In the opinion of the directors a 5% increase or decrease in interest rates would not have a material effect on the profit for the year and equity.



## NOTES FORMING PART OF THE ACCOUNTS

(continued)

**26. Financial instruments: information on financial risks (continued)****Credit risk**

The Group controls its exposure to credit risk by setting limits on its exposure to individual customers and compliance is monitored by management. As part of the process of setting customer credit limits, different external credit reference agencies are used, according to the country of the customer. There are no significant concentrations of credit risk.

The table below illustrates the trade receivables past due date but not impaired:

	<b>2011</b>	2010
	<b>Group and</b>	Group and
	<b>Company</b>	Company
	<b>£000</b>	£000
<b>Trade receivables</b>		
Less than 30 days	74	27
31 to 60 days	43	9
61 to 90 days	5	12
Over 91 days	23	64
	<b>145</b>	<b>112</b>

All financial liabilities are due on demand or within credit terms.

**Liquidity risk**

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

**27. Total future minimum lease payments under non-cancellable operating lease are:**

	<b>2011</b>	2010
	<b>Group and</b>	Group and
	<b>Company</b>	Company
	<b>Land and</b>	Land and
	<b>Buildings</b>	Buildings
	<b>£000</b>	£000
In one year or less	36	33
Between one and five years	41	77
	<b>77</b>	<b>110</b>

Operating lease payments represent rentals payable by the Group for site rental. Leases are negotiated over the term considered most relevant for each particular lease.

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**NOTES FORMING PART OF THE ACCOUNTS**

(continued)

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**28. Transactions with related parties**

There have been no related party transactions during the year.

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**29. Events after the statement of financial position date**

The financial statements were authorised for issue on 7th July 2011, and at this date the directors are unaware of any events that would affect these financial statements.

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**30. Contingencies and commitments**

The Group had no contingent liabilities or capital commitments at 31st March 2011.

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**NOTICE OF MEETING**

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**Notice is hereby given** that the one hundred and twenty-first Annual General Meeting of the Company will be held at the registered office of the Company, Leopold Street, Birmingham, on 12th August 2011 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 2011 be approved and adopted.
2. That a final dividend for the year ended 31st March 2011 of 6.25 pence per share be declared payable on 26th August 2011 to ordinary shareholders registered at the close of business on 29th July 2011.
3. That Mr M.J. Legge who retires by rotation be re-elected a director.
4. That Mr A.R. Buttanshaw who retires by rotation be re-elected a director.
5. That RSM Tenon Audit Limited be reappointed as auditors and that the directors be authorised to determine 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 693 of the Companies Act 2006) on the London Stock Exchange up to a cumulative maximum of 380,148 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.

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 Sections 549 to 551 of the Companies Act 2006 ("the Act"), to exercise all the powers of the Company to allot shares in the Company up to an aggregate nominal amount of £25,343 provided that this authority shall expire on 11th August 2016 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.

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NOTICE OF MEETING

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8. That the Directors of the Company be and they are hereby empowered pursuant to Section 570 of the Act to allot equity securities (within the meaning of Section 560(1) of the Act) pursuant to the authority conferred by Resolution 7 as if Section 561 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 £25,343 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*

7th July 2011

**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 2011 is available for inspection at the registered office during usual business hours on any weekday (excluding Saturdays and public holidays) until 11th August 2011 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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