

# **SAMUEL HEATH & SONS PLC**

Report and Accounts

for the year ended 31st March 2010

## **SAMUEL HEATH**

TUESDAY



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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 Wheldon (Appointed 8<sup>th</sup> July 2010)  
(Director)  
Paul B Turner (Appointed 8<sup>th</sup> July 2010)  
(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:** Evolution Securities Limited  
100 Wood Street  
London  
EC2V 7AN

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CHAIRMAN'S STATEMENT

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I have pleasure in announcing a profit before taxation for the year of £336,000 (2009 £292,000) on sales of £9,529,000, 12.6% down on last year's sales of £10,897,000. Aided by favourable exchange rates, we managed to reverse the losses of the first six months despite sales remaining flat. This is a credit to all involved who adapted to the difficult trading conditions.

I would like to welcome Paul Turner and Martyn Whieldon, who have well earned their invitation to the Board, heading up the finance and sales departments respectively.

What can I say about the year ahead? The UK market is extraordinarily difficult to assess at this stage, as are the mixed signals coming out of North America. Our other traditional customers are in Europe and here there are enormous variances in performance and prospects between different countries.

To attempt to offset these uncertainties, we are doing our best to open up and enlarge our customer base elsewhere in the world. I am pleased to report that some success is being achieved with this. We have also embarked on other new marketing initiatives, such as our full time exhibition at the Chelsea Harbour Design Centre.

In spite of all of this, our budget shows that it is going to be difficult to repeat even the modest profit reported this year, although it has to be said that we are ahead of this budget at the time of this statement.

Our net assets remain strong amounting to £6,037,000 (2009 £6,709,000). We have in fact improved our cash position from £571,000 to £1,070,000. We therefore propose a same again final dividend of 6.25p per share, making a total of 11.75p for the year.



**Sam Heath**  
*Chairman*

8<sup>th</sup> July 2010

## DIRECTORS' REPORT

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 2010

### 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 29

### 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 (2009 £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>		31st March 2010	31st March 2009
S B Heath	Chairman	487,081	487,081
D F Coplestone	Non-Executive	104,500	104,500
M J Legge	Senior Non-Executive	30,000	30,000
D J Pick	Managing Director	4,500	4,500
N Bosworth	Manufacturing Director	1,000	1,000
A R Buttanshaw	Non-Executive	1,000	1,000
<i>Non-beneficial interests</i>			
M J Legge	Senior Non-Executive	10,000	10,000

Director's remuneration is disclosed in note 25

The directors retiring by rotation are Mr D J Pick and Mr N Bosworth who offer themselves for re-election. Resolutions will be proposed that they be re-elected.

Mr M P Whieldon and Mr P B Turner who were both appointed on 8<sup>th</sup> July 2010 retire at the first general meeting following their appointment and offer themselves for election.

## 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.

The directors confirm that there is no material relevant information that they know and of which they know the auditors are unaware.

### Other major shareholdings

On 21<sup>st</sup> June 2010, 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 2010 the creditor days compared to the value of supplier invoices received in the year was 20 (2009: 23).

**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 unaware, 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**

The audit business of RSM Bentley Jennison, who had previously been appointed as the Group and Company auditors, has merged with that of RSM Tenon Audit Limited who are successors to the office of auditors of the Company under the provisions of the Companies Act 2006. The audit report on the financial statements has therefore been issued by the successor firm, RSM Tenon Audit Limited.

RSM Tenon Audit Limited have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed 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 annual report and financial statements in accordance with applicable law and regulations


Company law requires the Directors to prepare financial statements for each financial period. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial statements are required by law to 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 for that period. In preparing those financial statements, 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 the financial statements comply with IFRSs as adopted by the European Union, and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that 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 enable them to ensure the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

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

*On behalf of the Board*

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

8<sup>th</sup> July 2010



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**INDEPENDENT AUDITORS' 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 31st March 2010 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated Statement of Cash Flows, the Consolidated Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in the preparation of the group and parent company financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Group and Company's members, as a body, in accordance with section 495 and 496 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 Auditors' 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 Group and 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 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 of the financial statements**

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.

**Opinion on financial statements**

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2010 and of the group's profit for the year then ended,
- the group and parent company 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. Our responsibilities do not extend to any other information

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

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- Adequate accounting records have not been kept by the Group and Parent Company, or
- The Parent Company financial statements 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 required for our audit

*RSM Tenon Audit Limited*

Mark Vincent  
Senior Statutory Auditor  
For and behalf of  
RSM Tenon Audit Limited, Statutory Auditor  
8th July 2010

Charterhouse  
Legge Street  
Birmingham  
B4 7EU

**CONSOLIDATED INCOME STATEMENT**

for the year ended 31st March 2010

	Note	2010 £000	2009 £000
<b>Continuing operations</b>			
<b>Revenue</b>	5	9,529	10,897
Cost of sales		(4,968)	(5,952)
Exceptional expenses (Redundancy payments)	6	-	(162)
<b>Gross profit</b>		<b>4,561</b>	<b>4,783</b>
Distribution costs		(2,784)	(3,036)
Administrative expenses		(1,372)	(1,504)
<b>Operating profit</b>	7	<b>405</b>	<b>243</b>
<b>Gain on sale of financial assets</b>		<b>19</b>	<b>-</b>
<b>Finance income</b>	9	<b>370</b>	<b>593</b>
<b>Finance costs</b>	10	<b>(458)</b>	<b>(544)</b>
<b>Profit before taxation</b>		<b>336</b>	<b>292</b>
Taxation	11	(104)	23
<b>Profit for the year</b>		<b>232</b>	<b>315</b>
Basic and diluted earnings per ordinary share	13	9.2p	12.5p

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

for the year ended 31st March 2010

		2010 £000	2009 £000
<b>Profit for the year</b>		<b>232</b>	<b>315</b>
Actuarial loss on defined benefit pension scheme	26	(1,162)	(1,153)
Deferred taxation on actuarial loss	20	325	322
Gains on available for sale financial assets	17	128	23
Cash flow hedges	22	103	(103)
<b>Total comprehensive income for the year</b>		<b>(374)</b>	<b>(596)</b>

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 £336,000 (2009: £292,000).

**STATEMENTS OF FINANCIAL POSITION**

31st March 2010

		<b>Group</b>		<b>Company</b>	
	Note	2010 £000	2009 £000	2010 £000	2009 £000
<b>Non-current assets</b>					
Intangible assets	14	172	164	172	164
Property, plant and equipment	15	2,239	2,617	2,239	2,617
Investments	16	-	-	399	399
Deferred tax asset	20	577	284	577	284
		<u>2,988</u>	<u>3,065</u>	<u>3,387</u>	<u>3,464</u>
<b>Current assets</b>					
Inventories	18	2,405	2,654	2,405	2,654
Trade and other receivables	19	1,653	1,753	1,653	1,753
Current tax receivable		-	88	-	88
Available for sale financial assets	17	1,198	770	1,198	770
Cash and cash equivalents		<u>1,070</u>	<u>571</u>	<u>1,070</u>	<u>571</u>
		<u>6,326</u>	<u>5,836</u>	<u>6,326</u>	<u>5,836</u>
<b>Total assets</b>		<u>9,314</u>	<u>8,901</u>	<u>9,713</u>	<u>9,300</u>
<b>Current liabilities</b>					
Trade and other payables	21	(929)	(859)	(929)	(859)
Amounts owed to group undertakings		-	-	(1,052)	(1,052)
Derivative financial instruments	22	-	(103)	-	(103)
Current tax payable		<u>(112)</u>	<u>-</u>	<u>(112)</u>	<u>-</u>
		<u>(1,041)</u>	<u>(962)</u>	<u>(2,093)</u>	<u>(2,014)</u>
<b>Non-current liabilities</b>					
Pension scheme deficit	26	(2,061)	(1,015)	(2,061)	(1,015)
Deferred tax liability	20	<u>(175)</u>	<u>(215)</u>	<u>(175)</u>	<u>(215)</u>
		<u>(2,236)</u>	<u>(1,230)</u>	<u>(2,236)</u>	<u>(1,230)</u>
<b>Total liabilities</b>		<u>(3,277)</u>	<u>(2,192)</u>	<u>(4,329)</u>	<u>(3,244)</u>
<b>Net assets</b>		<u>6,037</u>	<u>6,709</u>	<u>5,384</u>	<u>6,056</u>
<b>Equity</b>					
Called up share capital	23	254	254	254	254
Capital redemption reserve		109	109	109	109
Retained earnings		<u>5,674</u>	<u>6,346</u>	<u>5,021</u>	<u>5,693</u>
<b>Equity shareholders' funds</b>		<u>6,037</u>	<u>6,709</u>	<u>5,384</u>	<u>6,056</u>

The financial statements were approved by the Board on 8<sup>th</sup> July 2010 and signed on its behalf by

  
S B Heath  
Chairman

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

for the year ended 31st March 2010

	Share capital	Capital redemption reserve	Retained earnings	Total equity
	£000	£000	£000	£000
<b>Balance at 31st March 2008</b>	<b>254</b>	<b>109</b>	<b>7,542</b>	<b>7,905</b>
Equity dividends paid	-	-	(596)	(596)
Profit for the year	-	-	315	315
Premium on purchase of own shares	-	-	(4)	(4)
Other comprehensive income for the year	-	-	(911)	(911)
<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>

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

for the year ended 31st March 2010

	Share capital	Capital redemption reserve	Retained earnings	Total equity
	£000	£000	£000	£000
<b>Balance at 31st March 2008</b>	<b>254</b>	<b>109</b>	<b>6,889</b>	<b>7,252</b>
Equity dividends paid	-	-	(596)	(596)
Profit for the year	-	-	315	315
Premium on purchase of own shares	-	-	(4)	(4)
Other comprehensive income for the year	-	-	(911)	(911)
<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>

**CONSOLIDATED STATEMENT OF CASHFLOWS**

for the year ended 31st March 2010

	Note	2010 £000	2009 £000
<b>Net cash inflow from operating activities</b>	24	<b>1,216</b>	<b>458</b>
<b>Cash flow from investing activities</b>			
Purchase of property, plant and equipment		(97)	(203)
Proceeds from sale of property, plant and equipment		21	43
Purchase of intangible assets		(111)	(164)
Purchase of available for sale financial assets		(545)	(747)
Proceeds from sale of available for sale financial assets		264	-
Interest received		49	56
<b>Net cash outflow from investing activities</b>		<b>(419)</b>	<b>(1,015)</b>
<b>Net cash outflow from financing activities</b>			
Purchase of own shares		-	(4)
Equity dividends paid	12	(298)	(596)
<b>Net cash outflow from financing activities</b>		<b>(298)</b>	<b>(600)</b>
<b>Increase/(decrease) in cash and cash equivalents</b>		<b>499</b>	<b>(1,157)</b>
Cash and cash equivalents at beginning of period		571	1,728
Cash and cash equivalents at end of period		<b>1,070</b>	<b>571</b>

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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 2009. 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 3 – Business Combinations (revised 2008)*

*IFRS 9 – Financial Instruments (revised 2010)*

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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.

## NOTES FORMING PART OF THE ACCOUNTS

(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.

***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. Funding surpluses or deficits that may arise in relation to the defined benefit scheme are taken directly to equity.

***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

(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 when the Group becomes a party to the contractual provisions of the instrument.

***Trade and other receivables***

Trade and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

***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.

**NOTES FORMING PART OF THE ACCOUNTS**

(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.

***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 26.

**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>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Overseas	<b>3,547</b>	4,245
Home	<b>5,982</b>	6,652
	<b>9,529</b>	<b>10,897</b>

**6. Exceptional expenses**

In the previous year the group recorded an exceptional expense in relation to redundancy payments.

**NOTES FORMING PART OF THE ACCOUNTS**

(continued)

**7. Profit for the year**

Profit for the year has been arrived at after charging

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Depreciation and impairment		
- Depreciation of property, plant and equipment	<b>450</b>	<b>471</b>
- Amortisation of intangible assets	<b>3</b>	<b>-</b>
- Impairment	<b>100</b>	<b>-</b>
(Profit)/loss on disposal of property, plant and equipment	<b>(3)</b>	<b>12</b>
Net foreign exchange losses/(gains)	<b>28</b>	<b>(198)</b>

**8. Auditors' remuneration**

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Fees payable		
Audit services	<b>19</b>	<b>21</b>
Assurance services	<b>1</b>	<b>1</b>
Tax services	<b>1</b>	<b>1</b>
Total fees	<b>21</b>	<b>23</b>

**9. Finance income**

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Available for sale assets	<b>49</b>	<b>5</b>
Interest on bank deposits	<b>2</b>	<b>51</b>
Expected return on pension scheme assets	<b>319</b>	<b>537</b>
	<b>370</b>	<b>593</b>

**10. Finance costs**

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Interest on pension scheme liabilities	<b>458</b>	<b>544</b>

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**NOTES FORMING PART OF THE ACCOUNTS**  
(continued)

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**11. Income taxes**

	2010 £000	2009 £000
Current taxes	112	(125)
Deferred taxes	(8)	102
<b>Total income taxes</b>	<b>104</b>	<b>(23)</b>

Corporation tax is calculated at 28% (2009 28%) of the estimated assessable profit for the year

**Tax rate reconciliation**

	2010 £000	2009 £000
Profit for the year	336	292
<b>Corporation tax charge thereon at 28% (2009: 28%)</b>	<b>94</b>	<b>82</b>
<b>Adjusted for the effects of.</b>		
Depreciation in excess of capital allowances	37	9
Marginal relief	(18)	(12)
Prior year adjustments	-	(37)
Research and development claim	(22)	(30)
Capitalisation of research and development expenditure	(31)	(46)
Loan relationships	29	6
Other adjustments	15	5
<b>Total Income tax</b>	<b>104</b>	<b>(23)</b>
<b>Effective tax rate</b>	<b>31.0%</b>	<b>(7.9%)</b>

**12. Dividends**

	2010 £000	2009 £000
Final dividend for the year ended 31 <sup>st</sup> March 2009 of 6.25 pence per share (2008 12.5 pence per share)	158	317
Interim dividend for the year ended 31 <sup>st</sup> March 2010 of 5.50 pence per share (2009 11.0 pence per share)	140	279
	<b>298</b>	<b>596</b>

In addition to the dividends paid during the year the directors are recommending a final dividend for 2010 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.

**13. Earnings per share**

The basic and diluted earnings per share are calculated by dividing the relevant profit after taxation of £232,000 (2009 £315,000) by the average number of ordinary shares in issue during the year being 2,534,322 (2009 2,534,577). The number of shares used in the calculation is the same for both basic and diluted earnings.

## NOTES FORMING PART OF THE ACCOUNTS

(continued)

**14. Intangible assets**

	<b>Development costs £000</b>
<b>Cost</b>	
At 31st March 2008	-
Internally developed additions	164
	<hr/>
At 31st March 2009	164
Internally developed additions	111
Disposals	(100)
	<hr/>
At 31 <sup>st</sup> March 2010	175
	<hr/>
<b>Amortisation</b>	
At 31st March 2008	-
Charge for year	-
	<hr/>
At 31 <sup>st</sup> March 2009	-
Charge for year	3
Impairment losses recognised in the income statement	100
Eliminated on disposal	(100)
	<hr/>
At 31st March 2010	3
	<hr/>
<b>Net book value</b>	
At 31st March 2010	172
	<hr/>
At 31st March 2009	164
	<hr/>

## NOTES FORMING PART OF THE ACCOUNTS

(continued)

**15. 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 2008	1,528	5,951	456	7,935
Additions	-	101	108	209
Disposals	-	(39)	(156)	(195)
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
<b>Depreciation</b>				
At 31st March 2008	571	4,241	189	5,001
Charge for year	30	340	101	471
Disposals	-	(39)	(101)	(140)
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
<b>Net book value</b>				
At 31st March 2010	897	1,172	170	2,239
At 31st March 2009	927	1,471	219	2,617

The net book value of freehold land and buildings includes £86,000 (2009 £86,000) in respect of land which is not depreciated

**16. Investments**

	<b>2010 Company £000</b>	<b>2009 Company £000</b>
<b>Shares in subsidiaries</b>		
Cost at 31st March 2010	852	852
Amounts written off	(453)	(453)
Net book value 31st March 2010	399	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 2010 was £518,000 (2009 £518,000).

## NOTES FORMING PART OF THE ACCOUNTS

(continued)

**17 Available for sale financial assets**

Balances as at 31<sup>st</sup> March 2010 include Corporate Bonds and Equity Securities listed on the London Stock Exchange. These have been acquired to invest excess funds.

	2010 Group and Company £000	2009 Group and Company £000
Balance at 31 <sup>st</sup> March 2009	770	-
Acquisitions	545	747
Disposals	(245)	-
Changes in fair value recognised in equity	128	23
	<u>1,198</u>	<u>770</u>

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.

**18. Inventories**

	2010 Group and Company £000	2009 Group and Company £000
Raw materials	598	782
Work in progress	955	995
Finished goods	852	877
	<u>2,405</u>	<u>2,654</u>

During the period, the group consumed £4,968,000 (2009 £5,952,000) of inventories and recognised an increase in write-downs of £175,000 (2009 decrease of £2,000).

There are no inventories pledged as security for liabilities.

**19. Trade and other receivables**

	2010 Group and Company £000	2009 Group and Company £000
Trade receivables	1,593	1,654
Allowance for doubtful receivables	(95)	(98)
	<u>1,498</u>	<u>1,556</u>
Prepayments and accrued income	155	197
	<u>1,653</u>	<u>1,753</u>

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)

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

	<b>2010 Group and Company £000</b>	<b>2009 Group and Company £000</b>
<b>Allowance for doubtful receivables</b>		
Balance at 31st March 2009	98	118
Provision for the year	52	4
Utilised in the year	(55)	(24)
Balance at 31st March 2010	<u>95</u>	<u>98</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. The aged debt profile is disclosed in note 27.

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

**20. Deferred tax**

<b>Group and Company</b>	<b>Asset £000</b>	<b>Liability £000</b>
<b>At 31st March 2008</b>	<b>101</b>	<b>252</b>
Charge to income	(139)	(37)
Credit to equity	322	-
<b>At 31st March 2009</b>	<b>284</b>	<b>215</b>
Charge to income	(32)	(40)
Credit to equity	325	-
<b>At 31st March 2010</b>	<b>577</b>	<b>175</b>

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

**21. Trade and other payables**

	<b>2010 Group and Company £000</b>	<b>2009 Group and Company £000</b>
Trade payables	607	544
Accruals and deferred income	102	118
Social security and other taxes	220	197
	<u>929</u>	<u>859</u>

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



**NOTES FORMING PART OF THE ACCOUNTS**

(continued)

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

At 31<sup>st</sup> March 2010 the Group had not got in place any derivatives held for cash flow hedging purposes (2009 £103,000)

**23. Share capital**

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

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

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Operating profit	<b>405</b>	<b>243</b>
Depreciation, amortisation and impairment	<b>554</b>	<b>471</b>
(Gain)/loss on disposal of property, plant and equipment	<b>(3)</b>	<b>12</b>
Operating cash flows before movements in working capital	<b>956</b>	<b>726</b>
Decrease in inventories	<b>249</b>	<b>133</b>
Decrease in receivables	<b>102</b>	<b>413</b>
Increase/(decrease) in payables	<b>76</b>	<b>(133)</b>
Pension contributions	<b>(255)</b>	<b>(505)</b>
Cash generated by operations	<b>1,128</b>	<b>634</b>
Income tax received/(paid)	<b>88</b>	<b>(176)</b>
Net cash flow from operating activities	<b>1,216</b>	<b>458</b>

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)

**25. Particulars of staff**

The average number of persons employed by the Company (including directors) 137 (2009 158)

	<b>2010</b>	2009
	<b>£000</b>	£000
The total staff costs were as follows		
Wages and salaries	<b>3,480</b>	3,891
Social security costs	<b>324</b>	365
Pension scheme costs	<b>251</b>	285
	<b>4,055</b>	4,541

**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 2010 £000</b>	Total 2009 £000
<b>Executive Directors</b>						
N Bosworth	104	19	-	1	<b>124</b>	124
S B Heath	88	-	-	2	<b>90</b>	94
D J Pick	135	28	-	15	<b>178</b>	180
D J Richardson	-	-	-	-	-	86
<b>Non-Executive Directors</b>						
A R Buttanshaw	8	-	-	-	<b>8</b>	9
D F Coplestone	8	-	-	3	<b>11</b>	12
M J Legge	8	-	-	-	<b>8</b>	9
	<b>351</b>	<b>47</b>	<b>-</b>	<b>21</b>	<b>419</b>	<b>514</b>

The total accrued pension in relation to the highest paid Director at the year end was £43,000 (2009 £43,000)

**NOTES FORMING PART OF THE ACCOUNTS**

(continued)

**26. Retirement benefit schemes**

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

The most recent valuation of the Combined Scheme was carried out as at 31st March 2007. The liabilities were calculated using the defined accrued benefits method and assumed:

- long-term investment returns of 7.5% pa for the period before a member retires and 5.5% pa for the period after a member has retired
- long-term future inflation rates of 3.0% pa
- mortality rates based on the PA1992 year of birth mortality tables with medium cohort future improvements, as published by the Continuous Mortality Investigation Bureau

The 2007 actuarial valuation showed the market value of the Combined Scheme's assets to be £10,324,000 (excluding Additional Voluntary Contributions), compared with the value of the accrued benefits of £9,224,000. There were therefore sufficient assets to cover 112% 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>2010 %</b>	<b>2009 %</b>	<b>2008 %</b>
Inflation	<b>3.50</b>	2.50	3.35
Rate of increase in pension payment	<b>3.50</b>	2.50	3.35
Discount rate	<b>5.70</b>	7.00	6.45

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 2007. The current tables reflect expected future improvements in mortality rates. The assumed life expectations on retirement at age 65 are:

	<b>2010</b>	<b>2009</b>	<b>2008</b>
<b>Retiring today:</b>			
Male	<b>22.0</b>	22.0	22.0
Female	<b>24.8</b>	24.8	24.8
<b>Retiring in 20 years:</b>			
Male	<b>23.1</b>	23.1	23.1
Female	<b>25.9</b>	25.9	25.9

## NOTES FORMING PART OF THE ACCOUNTS

(continued)

**26. 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 1,308
	Increase by 0.5%	Decrease by 1,126
Rate of inflation	Decrease by 0.5%	Decrease by 762
	Increase by 0.5%	Increase by 865
Rate of mortality	Decrease by 1 year	Decrease by 312
	Increase by 1 year	Increase by 310

Amounts recognised within finance income/costs are as follows:

	2010 £000	2009 £000
Expected return on pension scheme assets	(319)	(537)
Interest on pension scheme liabilities	458	544
	<u>139</u>	<u>7</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.

	2010 £000	2009 £000	2008 £000	2007 £000	2006 £000
Fair value of scheme assets	8,402	5,586	9,365	10,063	9,668
Present value of defined benefit obligations	(10,463)	(6,601)	(9,725)	(10,846)	(10,820)
Deficit in scheme	(2,061)	(1,015)	(360)	(783)	(1,152)
Related deferred tax asset	577	284	101	235	346
Net liability	<u>(1,484)</u>	<u>(731)</u>	<u>(259)</u>	<u>(548)</u>	<u>(806)</u>

	2010 £000	2009 £000
Deficit at 31st March 2009	1,015	360
Company contributions	(255)	(505)
Other finance income	139	7
Actuarial losses	1,162	1,153
Deficit at 31 <sup>st</sup> March 2010	<u>2,061</u>	<u>1,015</u>

**NOTES FORMING PART OF THE ACCOUNTS**

(continued)

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

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
As at 31 <sup>st</sup> March 2009	<b>6,601</b>	9,725
Interest cost	<b>458</b>	544
Benefits paid	<b>(103)</b>	(2,219)
Actuarial loss/(gain)	<b>3,507</b>	(1,449)
As at 31st March 2010	<b>10,463</b>	6,601

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

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
As at 31 <sup>st</sup> March 2009	<b>5,586</b>	9,365
Expected returns on assets	<b>319</b>	537
Employer contributions	<b>255</b>	505
Benefits paid	<b>(103)</b>	(2,219)
Actuarial gain/(loss) on assets	<b>2,345</b>	(2,602)
As at 31st March 2010	<b>8,402</b>	5,586

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

	<b>2010</b>	<b>2009</b>	<b>2008</b>
	<b>69%</b>	<b>62%</b>	<b>61%</b>
Equity			
Corporate bonds/Gilts	<b>17%</b>	35%	13%
Property	<b>12%</b>	1%	10%
Cash	<b>2%</b>	2%	16%

**History of experience gains and losses:**

	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Difference between the expected and actual return on scheme assets	2,345	(2,602)	(1,628)	(167)	1,312
Experience gains and (losses) on scheme liabilities	-	(163)	311	-	-
Total actuarial gains and (losses) recognised	(1,162)	(1,153)	(200)	(301)	677

## NOTES FORMING PART OF THE ACCOUNTS

(continued)

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

## Categories of financial instruments

	<b>2010</b> <b>Group and</b> <b>Company</b> <b>£000</b>	<b>2009</b> <b>Group and</b> <b>Company</b> <b>£000</b>
<b>Financial assets</b>		
Trade and other receivables	1,653	1,753
Cash and cash equivalents	1,070	571
	<b>2,723</b>	<b>2,324</b>
<b>Financial liabilities</b>		
Trade and other payables	929	859

**Financial risk management policies**

The main market risks to which the Group is exposed are 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>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>US Dollar</b>	-	-	195	267
<b>Euro</b>	12	7	202	198

**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)

**27. 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 financial assets ageing analysis

	<b>2010 Group and Company £000</b>	<b>2009 Group and Company £000</b>
<b>Financial assets</b>		
Less than 30 days	<b>2,611</b>	2,107
31 to 60 days	<b>27</b>	52
61 to 90 days	<b>9</b>	51
91 to 120 days	<b>12</b>	46
Over 120 days	<b>64</b>	68
	<b>2,723</b>	2,324

"Less than 30 days" includes short term deposits with a less than 30-day maturity that are classified as Cash and cash equivalents.

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.

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

	<b>2010 Group and Company Land and Buildings £000</b>	<b>2009 Group and Company Land and Buildings £000</b>
In one year or less	<b>33</b>	-
Between one and five years	<b>77</b>	-
	<b>110</b>	-

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

\_\_\_\_\_**NOTES FORMING PART OF THE ACCOUNTS**\_\_\_\_\_

(continued)

**29. Transactions with related parties**

There have been no related party transactions during the year

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

The financial statements were authorised for issue on 8<sup>th</sup> July 2010, and at this date the Directors are unaware of any events that would affect these financial statements

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**31. Contingencies and commitments**

The group had no contingent liabilities or capital commitments at 31st March 2010



**NOTICE OF MEETING**

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**Notice is hereby given** that the one hundred and twentieth Annual General Meeting of the Company will be held at the registered office of the Company, Leopold Street, Birmingham, on 20th August 2010 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 2010 be approved and adopted
- 2 That a final dividend for the year ended 31st March 2010 of 6 25 pence per share be declared payable on 27th August 2010 to ordinary shareholders registered at the close of business on 30th July 2010
- 3 That Mr D J Pick who retires by rotation be re-elected a director
- 4 That Mr N Bosworth who retires by rotation be re-elected a director
- 5 That Mr M P Whieldon who retires at the first general meeting following his appointment be elected a director
- 6 That Mr P B Turner who retires at the first general meeting following his appointment be elected a director
- 7 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 8 and 9 will be proposed as an Ordinary Resolution and Resolution 10 as a Special Resolution.**

- 8 That the company be authorised, pursuant to Article 10 of the Articles of Association of the Company, to make market purchases (within the meaning of Section 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

- 9 That the Directors of the Company be and they are hereby generally and unconditionally authorised, (in substitution for any authorities previously granted to the Directors), pursuant to 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 19th August 2015 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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- 10 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 9 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*

8th July 2010

**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 2010 is available for inspection at the registered office during usual business hours on any weekday (excluding Saturdays and public holidays) until 19th August 2010 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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