SAMUEL HEATH & SONS PLC

Report and Accounts

for the year ended 31st March 2014

SAMUEL HEATH

CONTENTS

DIRECTORS AND OFFICERS

Directors:	Samuel B. Heath∗ *(Chairman)* David J. Pick *(Managing Director)* Martin J. Legge ∗+ *(Senior Non-executive)* Neil Bosworth *(Manufacturing Director)* Anthony R. Buttanshaw ∗+ *(Non-executive)* Martyn P. Whieldon *(Sales Director)* Paul B.Turner, ACMA *(Financial Director)* Martin P. Green ∗+ *(Non-executive)* ∗Member of remuneration committee +Member of audit committee
Secretary:	John Park
Group Management Board:	Alan Cogzell
Registered Office:	Cobden Works Leopold Street Birmingham B12 OUJ Registered No. 00031942
Registrar:	Capita Registrars Northern House Woodsome Park Fenay Bridge Huddersfield HD8 OLA
Auditors:	Baker Tilly UK Audit LLP St Philips Point Temple Row Birmingham B2 5AF
Nominated Advisor and Nominated Broker:	Zeus Capital Limited 82 King Street Manchester M2 4WQ

CHAIRMAN'S STATEMENT

It is a pleasure to be able to report a profit before taxation of £610,000 (2013: £450,000) on sales up by 8.9% to £10,979,000 (2013: £10,083,000). It is even more pleasing to see the increase in operating profit to £698,000 (2013: £350,000). In connection to this, I should point out that we decided to be far more cautious with the Company's investments, in view of the uncertainties around the world. We have therefore disposed of all of our holdings, resulting in a profit on cost of £58,000, and are now keeping our cash reserves on deposit.

We experienced considerable success with most of the new lines launched during the year and there was improvement in some, but by no means all, of our markets. We should emphasise that trading has certainly not regained the position of pre-crisis level.

You would think from the daily news that we would be looking forward to a strong year ahead. So far in this trading period our sales have been below that achieved in the same trading period last year. In addition, the current strength of Sterling compared to many world currencies, will have a detrimental effect on our sales revenue and profits, which are earned from overseas. It would seem that the caution seen in the Markets could well be correct. We must therefore add our own note of caution for the coming year, as it would seem that the turbulent trading conditions, which we have experienced in the last few years, are not yet at an end.

Our assets remain strong and 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

16th July 2014

STRATEGIC REPORT

The directors present their annual strategic report for the year ended 31st March 2014.

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.

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 wherever possible. 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. We continually monitor our Carbon Footprint, with the aim of continual improvement.

S.B. Heath
Chairman

16th July 2014

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 2014.

Principal activities

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

Financial risk management

The Group's financial risk management policies are disclosed on page 31.

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.

Directors

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

Beneficial interests:		**31st March 2014**	31st March 2013
S. B. Heath	Chairman	**491,581**	491,581
M. J. Legge	Senior Non-Executive	**30,000**	30,000
D. J. Pick	Managing Director	**5,500**	5,500
N. Bosworth	Manufacturing Director	**1,000**	1,000
A. R. Buttanshaw	Non-Executive	**1,000**	1,000
P. B. Turner	Financial Director	**1,000**	1,000
M. P. Whieldon	Director	**1,000**	1,000
M. P. Green	Non-Executive	**1,000**	1,000

Directors' remuneration is disclosed in note 24.

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

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

Mr M.P. Green is a lawyer, specialising in tax, wills, trust advice and estate and inheritance tax planning. He holds a number of directorships/partnerships in private limited companies.

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

Other major shareholdings

On 1st July 2014, the company had been notified, in accordance with chapter 5 of Disclosures and Transparency Rules, in addition to the directors, 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	12.2	309,500
Ferlim Nominees Ltd – Pooled Account	5.2	131,000

Information to shareholders

The Company has its own website (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 currency 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 2014 the creditor days compared to the value of supplier invoices received in the year was 26 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

Baker Tilly UK Audit LLP has expressed its willingness to continue in office as auditor and a resolution is to be proposed that Baker Tilly UK Audit LLP be reappointed as auditor at the forthcoming Annual General Meeting.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Strategic Report, 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 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 and the group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's and the group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group 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 the group 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

16th July 2014

INDEPENDENT AUDITOR'S REPORT

To the members of Samuel Heath & Sons PLC

We have audited the group and parent company financial statements ("the financial statements") on pages 10 to 33. 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 auditor

As more fully explained 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 of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at http://www.frc.org.uk/auditscopeukprivate

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's affairs as at 31 March 2014 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union
- the parent financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report 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 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 parent company, or returns adequate for our audit have not been received from branches not visited by us; 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 require for our audit.

Mark Vincent (Senior Statutory Auditor)
For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor
Chartered Accountants
St Philips Point
Temple Row
Birmingham
B2 5AF

16th July 2014

CONSOLIDATED INCOME STATEMENT
for the year ended 31st March 2014

	Note	2014 £000	2013 £000 (Restated)
Continuing operations			
Revenue	5	**10,979**	10,083
Cost of sales		**(5,647)**	(5,311)
Gross profit		**5,332**	4,772
Distribution costs		**(2,958)**	(2,870)
Administrative expenses		**(1,676)**	(1,552)
Operating profit	6	**698**	350
Gain on sale of financial assets		**58**	132
Finance income	8	**433**	505
Finance costs	9	**(579)**	(537)
Profit before taxation		**610**	450
Taxation	10	**(167)**	(35)
Profit for the year		**443**	415
Basic and diluted earnings per ordinary share	12	**17.5p**	16.4p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31st March 2014

		2014 £000	2013 £000 (Restated)
Profit for the year		**443**	415
Actuarial gain/(loss) on defined benefit pension scheme	25	**294**	(1,560)
Deferred taxation on actuarial gain/(loss)	19	**(187)**	329
Loss gain on available for sale financial assets	16	**(115)**	(17)
Cash flow hedges	21	**1**	(3)
Other comprehensive income for the year		**(7)**	(1,251)
Total comprehensive income for the year		**436**	(836)

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 £610,000 (2013: £450,000).

STATEMENTS OF FINANCIAL POSITION

31st March 2014

		Group		Company	
		2014	2013	**2014**	2013
	Note	**£000**	£000	**£000**	£000
Non-current assets					
Intangible assets	13	**326**	370	**326**	370
Property, plant and equipment	14	**1,668**	1,838	**1,668**	1,838
Investments	15	**-**	-	**399**	399
Deferred tax asset	19	**774**	986	**774**	986
		2,768	3,194	**3,167**	3,593
Current assets					
Inventories	17	**2,899**	2,731	**2,899**	2,731
Trade and other receivables	18	**1,819**	1,909	**1,819**	1,909
Derivative financial instruments	21	**-**	1	**-**	1
Available for sale financial assets	16	**-**	1,400	**-**	1,400
Cash and cash equivalents		**2,026**	219	**2,026**	219
		6,744	6,260	**6,744**	6,260
Total assets		**9,512**	9,454	**9,911**	9,853
Current liabilities					
Trade and other payables	20	**(1,164)**	(949)	**(1,164)**	(949)
Amounts owed to group undertakings		**-**	-	**(1,052)**	(1,052)
Derivative financial instruments	21	**(2)**	(4)	**(2)**	(4)
Current tax payable		**(116)**	(15)	**(116)**	(15)
		(1,282)	(968)	**(2,334)**	(2,020)
Non-current liabilities					
Retirement benefit scheme	25	**(3,870)**	(4,290)	**(3,870)**	(4,290)
Deferred tax liability	19	**(110)**	(84)	**(110)**	(84)
		(3,980)	(4,374)	**(3,980)**	(4,374)
Total liabilities		**(5,262)**	(5,342)	**(6,314)**	(6,394)
Net assets		**4,250**	4,112	**3,597**	3,459
Equity					
Called up share capital	22	**254**	254	**254**	254
Capital redemption reserve		**109**	109	**109**	109
Retained earnings		**3,887**	3,749	**3,234**	3,096
Equity shareholders' funds		**4,250**	4,112	**3,597**	3,459

The financial statements were approved by the Board on 16th July 2014 and signed on its behalf by:

S.B. Heath
Chairman

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31st March 2014

	Share capital £000	Capital redemption reserve £000	Retained earnings £000	Total equity £000
Balance at 31st March 2012	**254**	**109**	**4,883**	**5,246**
Equity dividends paid	-	-	(298)	(298)
Profit for the year	-	-	415	415
Other comprehensive income for the year	-	-	(1,251)	(1,251)
Balance at 31st March 2013	**254**	**109**	**3,749**	**4,112**
Equity dividends paid	-	-	(298)	(298)
Profit for the year	-	-	443	443
Other comprehensive income for the year	-	-	(7)	(7)
Balance at 31st March 2014	**254**	**109**	**3,887**	**4,250**

STATEMENT OF CHANGES IN EQUITY (PARENT COMPANY)
for the year ended 31st March 2014

	Share capital £000	Capital redemption reserve £000	Retained earnings £000	Total equity £000
Balance at 31st March 2012	**254**	**109**	**4,230**	**4,593**
Equity dividends paid	-	-	(298)	(298)
Profit for the year	-	-	415	415
Other comprehensive income for the year	-	-	(1,251)	(1,251)
Balance at 31st March 2013	**254**	**109**	**3,096**	**3,459**
Equity dividends paid	-	-	(298)	(298)
Profit for the year	-	-	443	443
Other comprehensive income for the year	-	-	(7)	(7)
Balance at 31st March 2014	**254**	**109**	**3,234**	**3,597**

CONSOLIDATED STATEMENT OF CASHFLOWS
for the year ended 31st March 2014

Group and Parent Company

	Note	**2014 £000**	2013 £000
Net cash inflow from operating activities	23	**908**	72
Cash flow from investing activities			
Purchase of property, plant and equipment		**(221)**	(268)
Proceeds from sale of property, plant and equipment		**29**	6
Purchase of intangible assets		**(6)**	(117)
Purchase of available for sale financial assets		**(57)**	(421)
Proceeds from sale of available for sale financial assets		**1,400**	676
Interest received		**52**	92
Net cash inflow/(outflow) from investing activities		**1,197**	(32)
Net cash outflow from financing activities			
Equity dividends paid	11	**(298)**	(298)
Net cash outflow from financing activities		**(298)**	(298)
Increase/(decrease) in cash and cash equivalents		**1,807**	(258)
Cash and cash equivalents at beginning of period		**219**	477
Cash and cash equivalents at end of period		**2,026**	219

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.

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 2013. The adoption of the following IFRSs has not impacted upon the financial statements:

IFRS 10 - Consolidated Financial Statements
IFRS 11 - Joint Arrangements
IFRS 12 - Disclosure of Interests in Other Entities
IFRS 13 - Fair Value Measurement
IAS 19 - Employee Benefits (see note below)
IAS 32 - Financial Instruments (Presentation)
IAS 1- Presentation of items of Other Comprehensive Income
IAS 27 - Separate Financial Statements (amended 2011)
IAS 28 - Investments in Associates and Joint Ventures
IAS 16 - Property, Plant and Equipment
IAS 34 - Interim Reporting

IAS 19 - Employee Benefits
The Group has adopted the revised standard in relation to Retirement Benefit Pension Schemes (IAS19 Employee Benefits). The prior year figures have therefore been restated for comparative purposes:

Impact of IAS19 on Consolidated Income Statement

			£000
Previously declared	-	profit for year (after taxation)	555
	-	basic and diluted earnings per share	21.9p
Administration costs of defined benefit pension scheme			(48)
Impact of change in measurement of expected return on pension scheme assets			(135)
Impact of change on deferred tax			43
Restated	-	profit for year (after taxation)	415
	-	basic and diluted earnings per share	16.4p

Impact of IAS19 Consolidated Statement of Comprehensive Income

			£000
Previously declared	-	total comprehensive income for the year	(836)
Decrease in profit for year (after taxation)			(140)
Change in actuarial loss on defined benefit pension scheme			183
Impact of change on deferred tax			(43)
Restated	-	total comprehensive income for the year	(836)

Adoption of IAS19 has had no impact of the Statement of Financial Position for the prior year.

2. Adoption of new and revised standards (continued)

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 - Separate Financial Statements (October 2012)
IFRS 10 - Consolidated Financial Statements (October 2012)
IFRS 12 - Disclosure of Interests in Other Entities (October 2012)
IFRS 14 - Regulatory Deferral Accounts (January 2014)
IAS 19 - Employee Benefits (November 2013)
IFRS 2 - Share Based Payment (December 2013)
IFRS 3 - Business Combinations (December 2013)
IFRS 8 - Operating Segments (December 2013)
IFRS 13 - Fair Value Measurement (December 2013)
IAS 16 - Property, Plant and Equipment (December 2013)
IAS 24 - Related Party Disclosures (December 2013)
IAS 38 - Intangible Assets (December 2013)
IAS 40 – Investment Property (December 2013)

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) and International Financial Reporting Interpretation Committee (IFRIC) Interpretation as adopted by the European Union and the requirements of the Companies Act applicable to companies reporting under 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.

Going concern

The Directors consider that the Group has adequate resources for the foreseeable future and, therefore, continue to adopt the going concern basis in preparing the financial statement.

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. Revenue is recognised when goods are despatched.

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 provided in full for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts.

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

Actuarial gains and losses arise on both defined benefit liabilities and scheme assets due to changes in assumptions compared with the start of the year and actual experience being different from those assumptions. These are recognised in full in the group statement of comprehensive income in the year in which they arise. 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

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%-10% 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.

3. Accounting policies (continued)

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.

---

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

	2014	2013
	£000	£000
Overseas	**4,246**	3,810
Home	**6,733**	6,273
	10,979	10,083

6. Operating profit

Profit for the year has been arrived at after charging:

	2014	2013
	£000	£000
Depreciation and impairment		
- Depreciation of property, plant and equipment	**375**	378
- Amortisation of intangible assets	**50**	7
Profit on disposal of property, plant and equipment	**(13)**	(6)
Net foreign exchange losses	**3**	-
Retirement benefit pension scheme administration costs	**42**	48

7. Auditors' remuneration

	2014	2013
	£000	£000
Fees payable:		
Audit services	**21**	20
Assurance services	**2**	2
Tax services	**1**	1
Total fees	**24**	23

8. Finance income

	2014	2013
	£000	£000
		(Restated)
Available for sale assets	**29**	98
Interest on bank deposits	**8**	1
Expected return on pension scheme assets	**396**	406
	433	505

NOTES FORMING PART OF THE ACCOUNTS
(continued)

9. Finance costs

	2014 £000	2013 £000
Interest - Other	**1**	-
Interest on pension scheme liabilities	**578**	537
	579	537

10. Income taxes

	2014 £000	2013 £000 (Restated)
Current taxes	**116**	20
Deferred taxes	**51**	15
Total income taxes	**167**	35

Corporation tax is calculated at 20% (2013: 20%) of the estimated assessable profit for the year.

Tax rate reconciliation

	2014 £000	2013 £000 (Restated)
Profit for the year	**610**	450
Corporation tax charge thereon at 20% (2013: 20%)	**122**	90
Adjusted for the effects of:		
Depreciation in excess of capital allowances	**16**	7
Marginal relief	**9**	-
Prior year adjustments	**69**	1
Research and development claim	**(1)**	(28)
Capitalisation of research and development expenditure	**(11)**	(23)
Loan relationships	**(15)**	(13)
Other adjustments	**(22)**	1
Total income taxes	**167**	35
Effective tax rate	**27.4%**	7.8%

The effective tax rate is higher than the UK rate due in part to a first time charge in respect of timing differences for intangible assets.

NOTES FORMING PART OF THE ACCOUNTS
(continued)

11. Dividends

	2014 £000	2013 £000
Final dividend for the year ended 31st March 2013 of 6.25 pence per share (2012: 6.25 pence per share)	**158**	158
Interim dividend for the year ended 31st March 2014 of 5.50 pence per share (2013: 5.50 pence per share)	**140**	140
	298	298

In addition to the dividends paid during the year the directors are recommending a final dividend for 2014 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.

12. Earnings per share

The basic and diluted earnings per share are calculated by dividing the relevant profit after taxation of £443,000 (2013 restated: £415,000) by the average number of ordinary shares in issue during the year being 2,534,322 (2013: 2,534,322). The number of shares used in the calculation is the same for both basic and diluted earnings.

13. Intangible assets of the Group and of the Company

	Development costs £000
Cost	
At 31st March 2012	277
Additions	117
At 31st March 2013	394
Additions	6
At 31st March 2014	**400**
Amortisation	
At 31st March 2012	17
Charge for year	7
At 31st March 2013	24
Charge for year	50
At 31st March 2014	**74**
Net book value	
At 31st March 2014	**326**
At 31st March 2013	370

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

	Freehold land and buildings £000	Plant and equipment £000	Vehicles £000	Total £000
Cost				
At 31st March 2012	1,542	6,373	387	8,302
Additions	-	215	53	268
Disposals	-	-	(32)	(32)
At 31st March 2013	1,542	6,588	408	8,538
Additions	-	111	110	221
Disposals	-	(16)	(108)	(124)
At 31st March 2014	**1,542**	**6,683**	**410**	**8,635**
Depreciation				
At 31st March 2012	692	5,476	186	6,354
Charge for year	31	270	77	378
Disposals	-	-	(32)	(32)
At 31st March 2013	723	5,746	231	6,700
Charge for year	32	249	94	375
Disposals	-	(8)	(100)	(108)
At 31st March 2014	**755**	**5,987**	**225**	**6,967**
Net book value				
At 31st March 2014	**787**	**696**	**185**	**1,668**
At 31st March 2013	819	842	177	1,838

The net book value of freehold land and buildings includes £86,000 (2013: £86,000) in respect of land which is not depreciated.

15. Investments

	2014 Company £000	2013 Company £000
Shares in subsidiaries:		
Cost at 31st March 2014	**852**	852
Amounts written off	**(453)**	(453)
Net book value 31st March 2014	**399**	399

All subsidiary undertakings are incorporated in Great Britain, wholly owned, are dormant and are listed below:

W. Adams & Sons Ltd
D P 1999 Ltd
Samuel Heath & Sons Group Services Ltd
Holt, Siron & Company Ltd
The Mander Frame Company
Oakley Bedsteads Ltd
Perkins & Powell Ltd
R.M. Manufacturing & Engineering Co. Ltd
Regency Bathroom Accessories Ltd
The Walker Fender Co. Ltd

The cumulative amount of goodwill purchased up to 23rd December 1998 and written off against reserves in respect of subsidiaries which remained in the Group at 31st March 2014 was £518,000 (2013: £518,000).

16. Available for sale financial assets

The company does not hold any investments at 31st March 2014. Investments had previously been held, consisting of corporate bonds and equity securities and were used to invest surplus funds.

	2014 Group and Company £000	2013 Group and Company £000
Balance at 31st March 2013	**1,400**	1,540
Acquisitions	**57**	421
Disposals	**(1,342)**	(544)
Changes in fair value recognised in equity	**(115)**	(17)
	-	1,400

NOTES FORMING PART OF THE ACCOUNTS
(continued)

17. Inventories

	2014 Group and Company £000	2013 Group and Company £000
Raw materials	**688**	638
Work in progress	**1,170**	1,111
Finished goods	**1,041**	982
	2,899	2,731

During the period, the group consumed £5,647,000 (2013: £5,311,000) of inventories and recognised an increase in write-downs of £24,000 (2013: increase of £54,000).

There are no inventories pledged as security for liabilities.

18. Trade and other receivables

	2014 Group and Company £000	2013 Group and Company £000
Trade receivables	**1,718**	1,887
Allowance for doubtful receivables	**(69)**	(90)
	1,649	1,797
Prepayments and accrued income	**170**	112
	1,819	1,909

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.

Allowance for doubtful receivables	**2014 Group any Company £000**	2013 Group and Company £000
Balance at 31st March 2013	**90**	107
Provision for the year	**(17)**	(7)
Utilised in the year	**(4)**	(10)
Balance at 31st March 2014	**69**	90

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

Group and Company	Asset £000	Liability £000
At 31st March 2012 *(calculated at 24%)*	**696**	**108**
Recognised in the Income Statement	(39)	(24)
Recognised in equity	329	-
At 31st March 2013 *(calculated at 23%)*	**986**	**84**
Recognised in the Income Statement	(25)	26
Recognised in equity	(187)	-
At 31st March 2014 *(calculated at 20%)*	**774**	**110**

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

The reduction in the asset recognised at 31st March 2014 arises from a reduction in the Samuel Heath & Sons PLC Combined Pension Scheme deficit and the change in the UK's mainstream rate of corporation tax from 23% to 20%.

20. Trade and other payables

	2014 Group and Company £000	2013 Group and Company £000
Trade payables	**669**	518
Accruals and deferred income	**201**	131
Social security and other taxes	**294**	300
	1,164	949

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 2014 the Group has in place derivatives held for cash flow hedging purposes only.

Forward currency contracts

Contract	Amount	Reference Currency	Maturity	Fair Value £000
Forward currency contract	240,000	EURO	30 Jun 2014	**(1)**
Forward currency contract	240,000	EURO	30 Sep 2014	**(1)**
Forward currency contract	240,000	EURO	31 Dec 2014	**-**
Forward currency contract	240,000	EURO	31 Mar 2015	**-**
				(2)

The purpose of these contracts is to mitigate the fluctuations of a proportion of expected sales (forecast) denominated in EURO's. The fair value of forward currency contracts is based on the current value of the difference between the contractual exchange rate and the market rate at the balance sheet date.

22. Share capital

	2014 £000	2013 £000
Issued and fully paid:		
2,534,322 (2012: 2,534,322) ordinary shares of 10 pence each	**254**	254

23. Notes to the cash flow statement

	2014 £000	2013 £000 (Restated)
Operating profit	**698**	350
Depreciation, amortisation and impairment	**425**	385
Gain on disposal of property, plant and equipment	**(13)**	(6)
Retirement benefit pension scheme administration costs	**42**	48
Operating cash flows before movements in working capital	**1,152**	777
Increase in inventories	**(168)**	(116)
Decrease/(increase) in receivables	**75**	(29)
Increase/(decrease) in payables	**214**	(143)
Pension contributions	**(350)**	(350)
Cash generated by operations	**923**	139
Income tax paid	**(15)**	(67)
Net cash flow from operating activities	**908**	72

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.

24. Particulars of staff

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

	2014 Number	2013 Number
Production	**87**	87
Distribution	**26**	25
Administration	**19**	19
Total	**132**	131

The total staff costs were as follows:	**2014 £000**	2013 £000
Wages and salaries	**3,880**	3,730
Social security costs	**366**	352
Pension scheme costs	**286**	255
	4,532	4,337

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	**Total 2014 £000**	Total 2013 £000
Executive Directors						
N. Bosworth	118	25	15	2	**160**	141
S.B. Heath	92	-	-	2	**94**	92
D.J. Pick	159	36	20	13	**228**	201
P.B.Turner	75	14	-	8	**97**	89
M.P. Whieldon	92	16	15	10	**133**	113
Non-Executive Directors						
A.R. Buttanshaw	9	-	-	-	**9**	9
M.P. Green	9	-	-	-	**9**	9
M.J. Legge	9	-	-	-	**9**	9
	563	91	50	35	**739**	663

The total accrued pension in relation to the highest paid director at the year end was £43,000 (2013: £43,000).

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 2013. The liabilities were calculated using the defined accrued benefits method and assumed:

- long-term investment returns of 5.8% pa for the period before a member retires and 3.6% 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 health tables with CMI 2012 year of birth projections and long-term rate of improvement of 1.5% pa.

The 2013 actuarial valuation showed the market value of the Combined Scheme's assets to be £8,808,000 (excluding Additional Voluntary Contributions), compared with the value of the accrued benefits of £13,657,000. There were therefore sufficient assets to cover 64% of the accrued benefits, based on the long-term funding assumptions.

The Company has agreed to fund the deficit of £4,849,000 by making payments to the scheme under the Recovery Plan that has been agreed between the Trustees of the scheme and the Company. The recovery plan allows for a minimum payment each year, with further payment becoming due based on profitability. During the next 12 months payments will be made to the scheme amounting to £400,000.

The assets of these now combined schemes are held separately from those of the Company and invested in Standard Life Global Absolute Return Strategies (GARS) Unit Trusts.

The major assumptions used by the actuary were:	**2014**	2013	2012
	%	%	%
Inflation	**3.30**	3.30	3.00
Rate of increase in pension payment	**3.30**	3.30	3.00
Discount rate	**4.50**	4.40	4.80

The expected return on assets is a weighted average of the assumed long-term returns for the various asset classes. Equity and property returns are developed based on the selection of an appropriate risk premium above the risk free rate which is measured in accordance with the yield on government bonds. The return on the GARS fund is expected to be in line with the return on equities.

Mortality assumptions

The mortality tables were reviewed as part of the actuarial valuation as at 31st March 2013. The current tables reflect expected future improvements in mortality rates. The assumed life expectations on retirement at age 65 are:

	2014	2013	2012
Retiring today:			
Male	**22.8**	23.2	23.0
Female	**25.3**	26.0	25.8
Retiring in 20 years:			
Male	**24.9**	25.1	25.0
Female	**27.6**	27.9	27.8

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 1,629
	Increase by 0.5%	Decrease by 1,402
Rate of inflation	Decrease by 0.5%	Decrease by 794
	Increase by 0.5%	Increase by 896
Rate of mortality	Decrease by 1 year	Decrease by 307
	Increase by 1 year	Increase by 314

Amounts recognised within finance income/costs are as follows:

	2014 £000	2013 £000 (Restated)
Expected return on pension scheme assets	**(396)**	(406)
Interest on pension scheme liabilities	**578**	537
	182	131

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:

	2014 £000	2013 £000	2012 £000	2011 £000	2010 £000
Fair value of scheme assets	**9,239**	9,059	8,372	8,061	8,402
Present value of defined benefit obligations	**(13,109)**	(13,349)	(11,273)	(9,582)	(10,463)
Deficit in scheme	**(3,870)**	(4,290)	(2,901)	(1,521)	(2,061)
Related deferred tax asset	**774**	986	696	411	577
Net liability	**(3,096)**	(3,304)	(2,205)	(1,110)	(1,484)

	2014 £000	2013 £000 (Restated)
Deficit at 31st March 2013	**4,290**	2,901
Company contributions	**(350)**	(350)
Administration costs	**42**	48
Net interest expense	**182**	131
Actuarial (gain)/loss	**(294)**	1,560
Deficit at 31st March 2014	**3,870**	4,290

25. Retirement benefit schemes (continued)

Movements in the present value of defined benefit obligations are as follows:

	2014 **£000**	2013 £000 (Restated)
As at 31st March 2013	**13,349**	11,273
Interest cost	**578**	537
Benefits paid	**(441)**	(186)
Actuarial (gain)/loss	**(377)**	1,725
As at 31st March 2014	**13,109**	13,349

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

	2014 **£000**	2013 £000 (Restated)
As at 31st March 2013	**9,059**	8,372
Expected returns on assets	**396**	406
Employer contributions	**350**	350
Benefits paid	**(441)**	(186)
Administration costs	**(42)**	(48)
Return on plan assets	**(83)**	165
As at 31st March 2014	**9,239**	9,059

The analysis of the scheme assets is set out below:

	2014	2013	2012
Standard Life GARS Fund	**98%**	97%	99%
Cash	**2%**	3%	1%

Defined contribution pension scheme

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and in the year ended 31st March 2014 amounted to £286,000 (2013: £255,000).

26. Financial instruments: information on financial risks

Categories of financial instruments:

	2014 Group and Company £000	2013 Group and Company £000
Financial assets		
Trade and other receivables	**1,819**	1,909
Cash and cash equivalents	**2,026**	219
Available for sale financial assets	**-**	1,400
	3,845	3,528
Financial liabilities		
Trade and other payables	**1,164**	949

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:

	Liabilities		**Assets**	
	2014	2013	**2014**	2013
	£000	£000	**£000**	£000
US Dollar	**-**	1	**227**	263
Euro	**7**	15	**108**	165

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.

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:

	2014 Group and Company £000	2013 Group and Company £000
Trade receivables		
Less than 30 days	**55**	66
31 to 60 days	**11**	5
61 to 90 days	**5**	11
Over 91 days	**1**	12
	72	94

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:

	2014 Group and Company Land and Buildings £000	2013 Group and Company Land and Buildings £000
In one year or less	**48**	42
Between one and five years	**46**	94
	94	136

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.

28. Transactions with related parties

There have been no related party transactions during the year other than dividends paid to Directors of £63,000 (2013: £62,000) based on their shareholdings at the date the dividend was declared.

29. Events after the statement of financial position date

The financial statements were authorised for issue on 16th July 2014, and at this date the directors are unaware of any other events that would affect these financial statements.

30. Contingencies and commitments

As at 31st March 2014 the Group had placed contracts for capital expenditure amounting to £80,000 (2013: £90,000) which have not been provided for in these accounts. The Group had no contingent liabilities at 31st March 2014.

31. Controlling Party

The ultimate controlling party is considered to be Mr S. B. Heath and his close family by virtue of them holding a majority of the issued share capital of the company.

NOTICE OF MEETING

Notice is hereby given that the one hundred and twenty-fourth Annual General Meeting of the Company will be held at the registered office of the Company, Leopold Street, Birmingham, on 15th August 2014 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 2014 be approved and adopted.

2. That a final dividend for the year ended 31st March 2014 of 6.25 pence per share be declared payable on 22nd August 2014 to ordinary shareholders registered at the close of business on 25th July 2014.

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 Mr M.P. Green who retires by rotation be re-elected a director.

6. That Baker Tilly UK Audit LLP 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 7 and 8 will be proposed as an Ordinary Resolution and Resolution 9 as a Special Resolution.

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

8. 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 14th August 2019 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.

9. 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

16th July 2014

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 2014 is available for inspection at the registered office during usual business hours on any weekday (excluding Saturdays and public holidays) until 14th August 2014 and will also be available at the Annual General Meeting from 11.45 a.m. until 15 minutes after the meeting is closed.

Samuel Heath's factory in Birmingham. Behind the protected Victorian facade there is a wealth of production craftsmanship combined with the very latest technology.

SAMUEL HEATH

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