

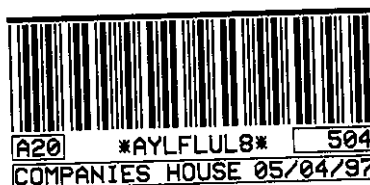
Company Number: 00513077

Registrar of Companies

**TIPTON STEEL STOCKHOLDERS
LIMITED**
(A wholly owned subsidiary of Hill & Smith Holdings PLC)

REPORT AND ACCOUNTS

30TH SEPTEMBER 1996



TIPTON STEEL STOCKHOLDERS LIMITED
(A wholly owned subsidiary of Hill & Smith Holdings PLC)

COMPANY INFORMATION

Directors

M E Sara
H C Everett
E Johnson

Secretary

K J Jarvis

Registered office

P O Box No. 4
Canal Street
Brierley Hill
West Midlands
DY5 1JL

Auditors

John W Hinks & Co
Chartered Accountants
Church House
5-14 South Road
Smethwick
Warley
West Midlands
B67 7BH

Bankers

Barclays Bank PLC
P O Box No 9
47 High Street
Dudley
West Midlands
DY1 1PP

Company number: 00513077

TIPTON STEEL STOCKHOLDERS LIMITED
(A wholly owned subsidiary of Hill & Smith Holdings PLC)

REPORT AND ACCOUNTS

30TH SEPTEMBER 1996

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TIPTON STEEL STOCKHOLDERS LIMITED
(A wholly owned subsidiary of Hill & Smith Holdings PLC)

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 30th September 1996.

Principal activity

The principal activity of the company continues to be steel stockholding.

Business review and future developments

Both the level of business and the year end financial position were satisfactory, and the directors expect that the present level of activity will be sustained for the foreseeable future.

Directors' responsibilities

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

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- follow applicable accounting standards, subject to any material departures disclosed and explained in the accounts
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the 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 company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Dividends

The directors recommend payment of a dividend for the year ended 30th September 1996 of £172,000.

Fixed assets

The directors have consulted professional valuers and are advised that, in line with property values generally, the value of the company's leasehold property has fallen below that shown in the accounts. The directors believe that this is a temporary shortfall reflecting the current economic climate.

Political contributions and charitable donations

The company made no charitable donations or political contributions during the year.

TIPTON STEEL STOCKHOLDERS LIMITED
(A wholly owned subsidiary of Hill & Smith Holdings PLC)

DIRECTORS' REPORT

Tax status

As far as the directors are aware, the close company provisions of the Income and Corporation Taxes Act 1988, do not apply to the company. There has been no change in this respect since the end of the financial year.

Directors and their interests

The following persons were directors of the company during the year:-

M E Sara
H C Everett
E Johnson

The interests of the directors of the company at 30th September in the shares of the parent company, Hill & Smith Holdings PLC, according to the Register required to be kept by the Companies Act 1985, were as follows:

	30th September 1996	30th September 1995 (or on appointment)
M E Sara	184,214	157,110
H C Everett	50,014	46,760
E Johnson	100,812	46,760

Going concern

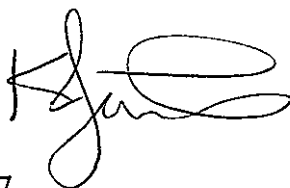
The directors are satisfied that the company is a going concern. In forming this view, the directors have reviewed current internal financial projections and the facilities available to meet the company's cash requirements.

Auditors

A resolution to reappoint John W Hinks & Co as auditors will be put to the members at the Annual General Meeting.

By order of the board

K J JARVIS
Secretary



9th January 1997

TIPTON STEEL STOCKHOLDERS LIMITED
(A wholly owned subsidiary of Hill & Smith Holdings PLC)

PROFIT AND LOSS ACCOUNT

YEAR ENDED 30TH SEPTEMBER 1996

	Notes	1996 £	1995 £
Turnover	1	10,464,709	11,744,363
Cost of sales		<u>(9,155,453)</u>	<u>(10,043,859)</u>
Gross profit		<u>1,309,256</u>	<u>1,700,504</u>
Distribution costs		(305,293)	(361,436)
Administrative expenses		<u>(474,281)</u>	<u>(451,501)</u>
Operating profit	2	529,682	887,567
Interest	5	(127,471)	(165,373)
Employees' profit sharing		<u>(20,002)</u>	<u>(22,619)</u>
Profit on ordinary activities before taxation		382,209	699,575
Tax on profit on ordinary activities	6	<u>(124,379)</u>	<u>(248,139)</u>
Profit for the financial year		257,830	451,436
Dividend	7	<u>(172,000)</u>	<u>(300,000)</u>
Retained profit for the year		85,830	151,436
Retained profit at 30th September 1995		<u>891,210</u>	<u>739,774</u>
Retained profit at 30th September 1996		<u><u>977,040</u></u>	<u><u>891,210</u></u>

Continuing operations

None of the company's activities were acquired or discontinued during the above two financial years.

The notes on pages 7 to 12 form part of these accounts.

TIPTON STEEL STOCKHOLDERS LIMITED
(A wholly owned subsidiary of Hill & Smith Holdings PLC)

YEAR ENDED 30TH SEPTEMBER 1996

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses other than the profit for the two financial years.

NOTE OF HISTORICAL COST PROFITS AND LOSSES	1996 £	1995 £
Reported profit on ordinary activities before taxation	382,209	699,575
Difference between a historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount	<u>10,149</u>	<u>10,148</u>
Historical cost profit on ordinary activities before taxation	<u>392,358</u>	<u>709,723</u>
Historical cost profit for the year retained after taxation and dividends	<u>95,979</u>	<u>161,584</u>

MOVEMENT IN SHAREHOLDERS' FUNDS

	1996 £	1995 £
Profit for the financial year	257,830	451,436
Dividend	<u>(172,000)</u>	<u>(300,000)</u>
Net addition to shareholders' funds	85,830	151,436
Opening shareholders' funds	<u>1,513,584</u>	<u>1,362,148</u>
Closing shareholders' funds	<u>1,599,414</u>	<u>1,513,584</u>

The notes on pages 7 to 12 form part of these accounts.

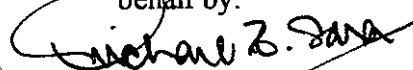
TIPTON STEEL STOCKHOLDERS LIMITED
(A wholly owned subsidiary of Hill & Smith Holdings PLC)

BALANCE SHEET

30TH SEPTEMBER 1996

	Notes	1996 £	1995 £
Fixed assets			
Tangible assets	8	838,515	885,728
Current assets			
Stocks	9	2,706,249	3,219,569
Debtors	10	2,207,594	3,154,480
Cash at bank and in hand		<u>1,606</u>	<u>818</u>
		4,915,449	6,374,867
Creditors: amounts due within one year	11	<u>(4,109,207)</u>	<u>(5,702,060)</u>
Net current assets		<u>806,242</u>	<u>672,807</u>
Total assets less current liabilities		1,644,757	1,558,535
Provisions for liabilities and charges	12	(12,900)	(24,128)
Accruals and deferred income	13	<u>(32,443)</u>	<u>(20,823)</u>
Net assets		<u><u>1,599,414</u></u>	<u><u>1,513,584</u></u>
Capital and reserves			
Called up share capital	14	3,003	3,003
Revaluation reserve	15	619,371	619,371
Profit and loss account		<u>977,040</u>	<u>891,210</u>
Equity Shareholders' funds		<u><u>1,599,414</u></u>	<u><u>1,513,584</u></u>

These financial statements were approved by the Board on 9th January 1997 and signed on its behalf by:



M E SARA



H C EVERETT

} Directors

The notes on pages 7 to 12 form part of these accounts.

TIPTON STEEL STOCKHOLDERS LIMITED
(A wholly owned subsidiary of Hill & Smith Holdings PLC)

PRINCIPAL ACCOUNTING POLICIES

30TH SEPTEMBER 1996

The financial statements are prepared under the historical cost convention, as modified by the revaluation of land and buildings and in accordance with applicable accounting standards.

Fixed assets

Interests in land and buildings are stated at valuation or historical cost. The cost of other fixed assets is their purchase cost, together with any incidental expenses of acquisition.

Depreciation is calculated so as to write off the cost or valuation of fixed assets over the expected useful and economic lives of the assets concerned.

Leasehold property is depreciated over the shorter of the term of the lease or fifty years.

Plant, equipment and vehicles are depreciated in accordance with prudent commercial bases, at rates calculated on the assumed lives which vary between 4 and 20 years.

Stocks and work in progress

These are valued on a "first-in, first-out" basis at the lower of cost and net realisable value.

Deferred taxation

Deferred taxation is provided using the liability method in respect of the taxation effect of all timing differences other than those which are expected with reasonable probability to continue in the foreseeable future.

No provision is made for any possible liabilities on the future sales of properties at their revalued book figures as it is intended that such properties will be retained for use in the business.

Turnover

Turnover, which excludes value added tax, and trade discount represents the invoiced value of goods and services supplied.

Government grants

Capital grants received are included as a deferred credit and are being written off to revenue over the life of the assets concerned.

Pension scheme arrangements

Contributions are charged to the profit and loss account so as to spread the cost of pension evenly over the members' working lives with the company.

TIPTON STEEL STOCKHOLDERS LIMITED
(A wholly owned subsidiary of Hill & Smith Holdings PLC)

NOTES TO THE ACCOUNTS

30TH SEPTEMBER 1996

1 Turnover and profit

The whole of the turnover and profit is derived from the principal activity of the business carried on in the United Kingdom.

2 Operating profit

	1996 £	1995 £
This is stated after charging:		
Depreciation of owned assets	60,387	52,201
Auditors remuneration	<u>4,900</u>	<u>4,750</u>
and after crediting:		
Profit on disposal of tangible fixed assets	<u>1,599</u>	<u>16,167</u>

3 Directors emoluments

	1996 £	1995 £
Total remuneration as executives (including pension contributions)	<u>66,958</u>	<u>76,614</u>
Analysis of directors emoluments as executives (excluding pension contributions):		
Highest paid director	<u>62,740</u>	<u>73,505</u>
	Number	Number
Other directors:		
£ 0 - £ 5,000	<u>2</u>	<u>2</u>

4 Particulars of employees

	1996	1995
The average number of persons employed by the company (including directors) all of whom were involved in the principal activity was:	<u>27</u>	<u>28</u>
	£	£
Their total remuneration was:		
Wages and salaries	430,773	411,331
Social security costs	39,687	29,738
Other pension costs	<u>22,695</u>	<u>18,631</u>
	<u>493,155</u>	<u>459,700</u>

TIPTON STEEL STOCKHOLDERS LIMITED
(A wholly owned subsidiary of Hill & Smith Holdings PLC)

NOTES TO THE ACCOUNTS

30TH SEPTEMBER 1996

5 Interest

	1996 £	1995 £
Payable: On bank loans and overdrafts repayable within five years not by instalments	<u>127,471</u>	<u>165,373</u>

6 Tax on profit on ordinary activities

	1996 £	1995 £
Corporation tax	141,000	244,000
Deferred taxation	<u>(8,000)</u>	<u>5,000</u>
	133,000	249,000
Prior years: Corporation tax	<u>(8,621)</u>	<u>(861)</u>
	<u>124,379</u>	<u>248,139</u>

7 Dividends

	1996 £	1995 £
Final proposed dividend on ordinary shares	<u>172,000</u>	<u>300,000</u>

TIPTON STEEL STOCKHOLDERS LIMITED
(A wholly owned subsidiary of Hill & Smith Holdings PLC)

NOTES TO THE ACCOUNTS

30TH SEPTEMBER 1996

8 Tangible fixed assets

	Long Leasehold land and buildings £	Plant equipment and vehicles £	Total £
Cost or valuation:			
Beginning of year	778,401	372,693	1,151,094
Additions	2,875	10,300	13,175
Disposals	-	(8,750)	(8,750)
End of year	<u>781,276</u>	<u>374,243</u>	<u>1,155,519</u>
Depreciation:			
Beginning of year	49,620	215,746	265,366
Charge for the year	13,630	46,757	60,387
Disposals	-	(8,749)	(8,749)
End of year	<u>63,250</u>	<u>253,754</u>	<u>317,004</u>
Net book value:			
Beginning of year	<u>728,781</u>	<u>156,947</u>	<u>885,728</u>
End of year	<u>718,026</u>	<u>120,489</u>	<u>838,515</u>

- a. The cost or valuation figures for property includes:

	1996 Leasehold £	1995 Leasehold £
Valuation made in 1991	700,000	700,000
Stated at historical cost	<u>81,276</u>	<u>78,401</u>
	<u>781,276</u>	<u>778,401</u>

- b. The amount of revalued property as determined according to the historical cost accounting rule is:

	1996 Leasehold £	1995 Leasehold £
Cost	228,786	225,911
Depreciation	<u>(48,704)</u>	<u>(45,223)</u>
Net book value	<u>180,082</u>	<u>180,688</u>

TIPTON STEEL STOCKHOLDERS LIMITED
(A wholly owned subsidiary of Hill & Smith Holdings PLC)

NOTES TO THE ACCOUNTS

30TH SEPTEMBER 1996

9 Stocks

	1996 £	1995 £
Finished goods and goods for resale	<u>2,706,249</u>	<u>3,219,569</u>

10 Debtors

	1996 £	1995 £
	Amounts due within one year	
Trade debtors	1,840,916	2,665,426
Amounts owed by group undertakings	308,359	447,300
Other debtors	11,386	13,756
Prepayments and accrued income	46,933	27,998
	<u>2,207,594</u>	<u>3,154,480</u>

11 Creditors

	1996 £	1995 £
	Amounts due within one year	
Bank loans and overdrafts	1,239,224	1,577,312
Trade creditors	2,140,989	3,112,260
Amounts owed to group undertakings	269,955	294,955
Other creditors	6,402	2,416
Corporation tax	141,000	244,000
Other tax and social security	76,666	96,915
Accruals	62,971	74,202
Proposed dividend	172,000	300,000
	<u>4,109,207</u>	<u>5,702,060</u>

Interest on bank borrowing is payable at normal joint stock bank rates. Bank borrowings are secured by cross guarantees by group companies.

12 Provision for liabilities and charges

	1996 £	1995 £
Deferred taxation	-	8,000
Pension scheme provision	<u>12,900</u>	<u>16,128</u>
	<u>12,900</u>	<u>24,128</u>

TIPTON STEEL STOCKHOLDERS LIMITED
(A wholly owned subsidiary of Hill & Smith Holdings PLC)

NOTES TO THE ACCOUNTS

30TH SEPTEMBER 1996

Deferred taxation

i. Provided in financial statements:

	1996 £	1995 £
Accelerated capital allowances	<u>-</u>	<u>8,000</u>
The provision represents the full potential liability.		

ii. Deferred taxation provided

	1996 £	1995 £
Beginning of year	8,000	3,000
Movement arising in year	<u>(8,000)</u>	<u>5,000</u>
End of year	<u>-</u>	<u>8,000</u>

13 Accruals and deferred income

	1996 £	1995 £
Government grants		
Beginning of year	20,823	21,248
Received in year	11,620	-
Released to profit in year	<u>-</u>	<u>(425)</u>
End of year	<u>32,443</u>	<u>20,823</u>

14 Share Capital

	1996 £	1995 £
Authorised		
5,000 ordinary shares of £1 each	<u>5,000</u>	<u>5,000</u>
Allotted called up and fully paid		
3,003 ordinary shares of £1 each	<u>3,003</u>	<u>3,003</u>

15 Revaluation reserve

	1996 £	1995 £
Beginning and end of year	<u>619,371</u>	<u>619,371</u>

TIPTON STEEL STOCKHOLDERS LIMITED
(A wholly owned subsidiary of Hill & Smith Holdings PLC)

NOTES TO THE ACCOUNTS

30TH SEPTEMBER 1996

16 Contingent liabilities

- (a) The company is a party to guarantees given for bank loans and overdrafts of the parent company and certain fellow subsidiaries.
- (b) The leasehold property is charged to the Law Debenture Corporation Limited as part of the security for the £1,000,000 14% first mortgage debenture stock 2000/2003 in issue by the parent company.
- (c) The company has given indemnities to H M Customs & Excise with no fixed expiry date, totalling £60,000.
- (d) The company has given indemnity to a supplier, with no fixed expiry date of £10,000.

17 Pension scheme

The company is a subsidiary of Hill & Smith Holdings PLC and is a member of the Hill & Smith Group Pension and Assurance Scheme. This is a defined benefit scheme, contributions being based on pension costs across the group as a whole.

The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit credit method. The most recent actuarial valuation was at 5th April 1994. Details of this actuarial valuation are disclosed in the financial statements of Hill & Smith Holdings PLC.

The pension cost for the year was £22,695 (1995 - £18,631). This took account of the amortisation of the surplus disclosed at the most recent valuation over the average remaining service lives of the active members. The provision for pension cost, amounting to £12,900 at the balance sheet date is being released to the profit and loss account over the average future working lifetime of the members of the scheme. It is the intention of the group to continue to make contributions to the pension scheme in line with the recommendations of the actuary in respect of contribution rates.

18 Parent company

The company is a wholly owned subsidiary of Hill & Smith Holdings PLC, a company registered in England.

TIPTON STEEL STOCKHOLDERS LIMITED
(A wholly owned subsidiary of Hill & Smith Holdings PLC)

**AUDITORS' REPORT TO THE MEMBERS OF
TIPTON STEEL STOCKHOLDERS LIMITED**

We have audited the accounts on pages 3 to 12 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

As described on page 1 the company's directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on these accounts and to report our opinion to you.

Basis of opinion

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

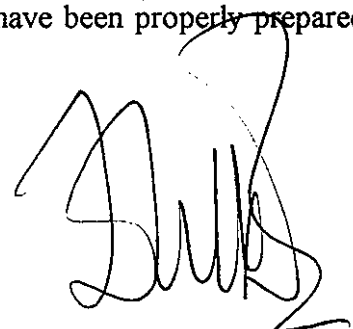
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material mis-statement, whether caused by fraud or other irregularity or error.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

Opinion

In our opinion the accounts give a true and fair view of the state of the company's affairs at 30th September 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Church House
5-14 South Road
Smethwick
Warley
West Midlands
B67 7BH

9th January 1997



JOHN W HINKS & CO
Chartered Accountants
and Registered Auditor