

**Pipe Supports Limited**

**Directors' report and financial  
statements**

**Registered number 926644**

**For the year ended 31 December 2004**



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## Directors' report

The directors present their annual report and financial statements for the year ended 31 December 2004.

### Principal activity

The principal activity of the company continues to be the manufacture and marketing of constant pipe supports, variable load supports and pipe supports ancillary equipment.

### Business review

2004 proved to be more difficult than expected due to the effect of higher steel prices on longer term fixed price contracts. These contracts were completed in the year and new contracts have been won at significantly higher prices.

With these higher prices and a large order book the Company is confident of an improved performance in 2005.

### Dividends

The directors do not recommend a payment of a final dividend for the year ended 31 December 2004 (2003: £Nil).

### Directors and their interests

The directors serving during the year were as follows:

DL Grove  
CJ Burr  
RG Jones  
SJ Barry  
M Hyrons

None of the directors has any beneficial interest in the shares of the company.

Mr DL Grove and Mr CJ Burr are directors of the ultimate holding company, Hill & Smith Holdings PLC. Both of these directors' interests in the shares and share options of that company are shown in its financial statements.

The interests of the other directors in office at the end of the period in the shares and share options of Hill & Smith Holdings PLC are detailed as follows:

#### *Ordinary shares of 25p each*

	2004 Number	2003 Number
RG Jones	106,443	90,843

## Directors' report (continued)

### Directors and their interests (continued)

#### Share options over ordinary shares of 25p each

	At 31.12.03	Exercised during year	Granted during the year	At 31.12.04	Exercise price p	Date Exercisable	Expiry Date	Note No
<b>RG Jones</b>								
	29,333	-	-	29,333	112.5	23.01.98	23.01.05	1
	22,356	(22,356)	-	-	41.3	01.03.04	01.09.04	2
	-	-	9,915	9,915	100.0	01.01.10	01.07.10	2
	<u>51,689</u>	<u>(22,356)</u>	<u>9,915</u>	<u>39,248</u>				
<b>SJ Barry</b>								
	11,200	-	-	11,200	113.6	20.02.99	20.02.06	3
	1,451	(1,451)	-	-	41.3	01.03.04	01.09.04	2
	<u>12,651</u>	<u>(1,451)</u>	<u>-</u>	<u>11,200</u>				

Note 1: These options were granted under the 1985 Executive Share Option Scheme

Note 2: These options were granted under the 1995 Savings Related Share Option Scheme

Note 3: These options were granted under the 1995 Executive Share Option Scheme

#### Auditor

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditor of the company is to be proposed at the forthcoming annual general meeting.

By order of the board

  
**CJ Burr**  
 Secretary

2 Highlands Court  
 Cranmore Avenue  
 Shirley  
 Solihull  
 West Midlands  
 B90 4LE

9 March 2005

## Statement of directors' responsibilities

*Company law requires the directors to prepare financial statements 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 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 applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping 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 financial statements comply with the Companies Act 1985. 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.



KPMG Audit Plc  
2 Cornwall Street  
Birmingham  
B3 2DL

## **Independent auditor's report to the members of Pipe Supports Limited**

We have audited the financial statements on pages 5 to 14.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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**

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditor, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

### ***Basis of audit opinion***

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

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

### ***Opinion***

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2004 and of its loss the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG Audit Plc*

KPMG Audit Plc  
Chartered Accountants  
Registered Auditor

9 March 2005

**Profit and loss account**  
*for the year ended 31 December 2004*

	<i>Note</i>	<b>2004</b> <b>£000</b>	2003 £000
Turnover	2	5,285	4,926
Cost of sales		(3,878)	(3,403)
		<hr/>	<hr/>
<b>Gross profit</b>		<b>1,407</b>	1,523
Administrative expenses		(1,586)	(1,498)
		<hr/>	<hr/>
<b>Operating (loss)/profit</b>		<b>(179)</b>	25
Bank interest receivable		23	8
Interest payable and similar charges	6	(80)	(20)
		<hr/>	<hr/>
<b>(Loss)/profit on ordinary activities before taxation</b>	3	<b>(236)</b>	13
Tax on (loss)/profit on ordinary activities	7	77	246
		<hr/>	<hr/>
<b>(Loss)/profit for the financial year transferred (from)/to reserves</b>	14	<b>(159)</b>	259
		<hr/>	<hr/>

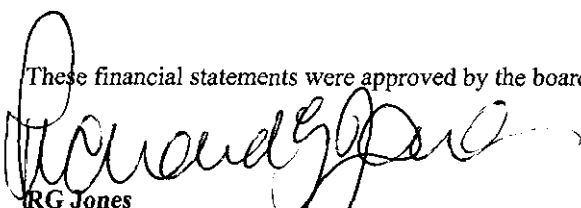
All operations are continuing.

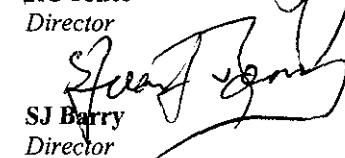
There were no recognised gains or losses during the current or preceding year apart from the result for the financial year shown above.

**Balance sheet**  
 as at 31 December 2004

	Note	2004 £000	2003 £000	£000
<b>Fixed assets</b>				
Tangible assets	8		1,309	1,374
<b>Current assets</b>				
Stocks	9	1,030		906
Debtors	10	2,638		1,452
Cash at bank and in hand		-		799
		<u>3,668</u>	<u>3,157</u>	
<b>Creditors: Amounts falling due within one year</b>	11	<u>(4,209)</u>	<u>(3,603)</u>	
<b>Net current liabilities</b>			<u>(541)</u>	<u>(446)</u>
<b>Total assets less current liabilities</b>			<u>768</u>	<u>928</u>
<b>Provisions for liabilities and charges</b>	12		<u>(89)</u>	<u>(90)</u>
<b>Net assets</b>			<u>679</u>	<u>838</u>
<b>Capital and reserves</b>				
Called up share capital	13		677	677
Profit and loss account	14		2	161
<b>Equity shareholder's funds</b>			<u>679</u>	<u>838</u>

These financial statements were approved by the board of directors on 9 March 2005 and signed on their behalf by:

  
 RG Jones  
 Director

  
 SJ Barry  
 Director



**Reconciliation of movements in shareholder's funds**  
*for the year ended 31 December 2004*

	<b>2004</b>	2003
	<b>£000</b>	£000
(Loss)/profit for the financial year	(159)	259
Net (reduction in)/addition to shareholder's funds	(159)	259
Opening shareholder's funds	838	579
Closing shareholder's funds	679	838

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements:

#### *Basis of accounting*

The financial statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards.

#### *Cash flow statement*

Under Financial Reporting Standard 1 (revised 1996) the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

#### *Fixed assets and depreciation*

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold buildings	- 50 years
Plant, equipment and vehicles	- 4 to 20 years

No depreciation is provided on freehold land.

#### *Stocks and work in progress*

These are valued on a "first-in, first-out" basis at the lower of cost and net realisable value. In respect of work in progress and finished goods, cost includes all production overheads and the attributable proportion of indirect overhead expenses.

#### *Long term contracts*

Profit is taken where the outcome of the contract can be reasonably determined, using the percentage of completion method on a costs basis. Where necessary, full provision is made for losses expected on completion.

#### *Taxation*

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed at the balance sheet date, except as otherwise required by FRS 19.

#### *Foreign currency*

Assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rate ruling at the balance sheet date.

Any exchange differences are taken to the profit and loss account.

#### *Turnover*

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

## Notes (continued)

### 1 Accounting policies (continued)

#### Pension scheme arrangements

The company is a member of several Group pension schemes, as described in note 16.

The company has adopted FRS 17: *Retirement benefits* in the year.

As the company is unable to identify its share of the Group pension scheme assets on a consistent and reasonable basis, as permitted by FRS 17 the schemes are accounted for as if they are defined contribution schemes.

Contributions in respect of defined contribution schemes are charged to the profit and loss account in the period to which they relate.

#### Leased assets

Rentals paid under operating leases are charged to the profit and loss account as incurred.

### 2 Turnover

The turnover of the company is derived from the following geographical markets:

	2004 £000	2003 £000
United Kingdom	1,875	755
Rest of Europe	1,929	2,247
Asia	1,352	1,924
Rest of world	129	-
	<u>5,285</u>	<u>4,926</u>

### 3 (Loss)/profit on ordinary activities before taxation

	2004 £000	2003 £000
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*(Loss)/profit on ordinary activities before taxation is stated*

*after charging:*

Auditor's remuneration	10	9
Depreciation of owned assets	149	144
Depreciation of leased assets	3	3
Exchange loss	45	25
	<u></u>	<u></u>

### 4 Remuneration of directors

Aggregate directors' remuneration for the year was as follows:

	2004 £000	2003 £000
Emoluments	180	172
	<u></u>	<u></u>
Number of directors who are members of defined benefit pension schemes	3	3
	<u></u>	<u></u>

Directors' interests in shares and share options in the ultimate parent company are disclosed in the directors' report.

## Notes (continued)

### 5 Staff numbers and costs

The average number of persons employed by the company (including directors) all of whom were involved in the principal activity was:

	2004 Number	2003 Number
Production	59	57
Sales and distribution	8	8
Administration	20	20
	<hr/> 87	<hr/> 85
	<hr/> <hr/>	<hr/> <hr/>

The aggregate payroll costs of these persons were:

	£000	£000
Wages and salaries	1,704	1,631
Social security costs	160	142
Other pension costs	85	78
	<hr/> 1,949	<hr/> 1,851
	<hr/> <hr/>	<hr/> <hr/>

### 6 Interest payable

	2004 £000	2003 £000
Bank interest payable	-	20
Interest payable on loans from group undertakings	80	-
	<hr/> 80	<hr/> 20
	<hr/> <hr/>	<hr/> <hr/>

### 7 Tax on (loss)/profit on ordinary activities

#### Analysis of credit in year

	2004 £000	2003 £000
<i>UK corporation tax</i>		
Current tax on income for the year	(76)	30
Adjustments in respect of prior periods	-	(270)
	<hr/> (76)	<hr/> (240)
<i>Deferred tax (see note 12)</i>		
Origination/reversal of timing differences	(1)	(4)
Relating to prior year	-	(2)
	<hr/> (77)	<hr/> (246)
	<hr/> <hr/>	<hr/> <hr/>

## Notes (continued)

### 7 Tax on (loss)/profit on ordinary activities (continued)

#### Factors affecting tax credit for the year

The effective current tax credit for the year is higher (2003: higher) than the standard rate of corporation tax in the UK. The differences are explained below:

	2004 £000	2003 £000
<i>Current tax reconciliation</i>		
(Loss)/profit on ordinary activities before taxation	(236)	13
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2003: 30%)	(71)	4
<i>Effects of:</i>		
Expenses not deductible for tax purposes	5	22
Difference between capital allowances for year and depreciation	1	2
Income and expenditure timing differences	-	2
Adjustments to tax charge in respect of previous years	-	(270)
Deductible items not charged against profit	(11)	-
Current tax credit	(76)	(240)

### 8 Tangible fixed assets

	Freehold Land and buildings £000	Plant, equipment and vehicles £000	Total £000
<i>Cost</i>			
At beginning of year	900	1,729	2,629
Additions	-	87	87
At end of year	900	1,816	2,716
<i>Depreciation</i>			
At beginning of year	49	1,206	1,255
Charge for year	8	144	152
At end of year	57	1,350	1,407
<i>Net book value</i>			
At 31 December 2004	843	466	1,309
At 31 December 2003	851	523	1,374

The gross book value of land and buildings includes freehold land of £500,000 (2003: £500,000).

Included in the net book value of plant, equipment and vehicles is £Nil (2003: £3,000) in respect of assets held under finance leases.

**Notes (continued)**

**9 Stocks**

	2004 £000	2003 £000
Raw materials and consumables	596	505
Work in progress and finished goods	434	401
	<u>1,030</u>	<u>906</u>

**10 Debtors**

	2004 £000	2003 £000
Trade debtors	1,531	736
Amounts recoverable on contracts	411	97
Amounts owed by group undertakings	559	519
Corporation tax	36	-
Other debtors	37	54
Prepayments and accrued income	64	46
	<u>2,638</u>	<u>1,452</u>

**11 Creditors: Amounts falling due within one year**

	2004 £000	2003 £000
Bank overdraft	1,362	-
Amounts payable under finance leases	-	3
Trade creditors	827	600
Amounts owed to group undertakings	1,916	2,850
Corporation tax	-	57
Other tax and social security	42	44
Accruals and deferred income	62	49
	<u>4,209</u>	<u>3,603</u>

## Notes (continued)

### 12 Provisions for liabilities and charges

Details of amounts provided for deferred taxation and movements in the year are set out below:

	£000
At beginning of year	90
Profit and loss account	(1)
	<hr/>
<b>At end of year</b>	<b>89</b>
	<hr/>

	2004 £000	2003 £000
Difference between accumulated depreciation, amortisation and capital allowances	91	92
Other timing differences	(2)	(2)
	<hr/>	<hr/>
	<b>89</b>	<b>90</b>
	<hr/>	<hr/>

### 13 Share capital

	2004 £000	2003 £000
<i>Authorised</i>		
700,000 ordinary shares of £1 each	700	700
	<hr/>	<hr/>
<i>Allotted called up and fully paid</i>		
677,000 ordinary shares of £1 each	677	677
	<hr/>	<hr/>

### 14 Profit and loss account

	£000
At beginning of year	161
Loss for the year	(159)
	<hr/>
<b>At end of year</b>	<b>2</b>
	<hr/>

### 15 Contingent liabilities

The company is a party to cross guarantees given for bank loans and overdrafts of the parent company and certain fellow subsidiaries amounting to £63,406,000 (2003: £61,153,000) which are secured on the assets of the Group.

The company has a guarantee in respect of performance bonds for £398,117 (2003: £377,243).

## Notes (continued)

### 16 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. Benefits under this scheme ceased accruing as at 5 April 2001. The company now contributes to two new group pension schemes; one providing benefits accruing in the future on a defined benefit basis and a second scheme providing benefits that are on a defined contribution basis. Details of the schemes and their most recent actuarial valuation are contained in the financial statements of Hill & Smith Holdings PLC.

The pension cost for the period was £85,000 (2003: £78,000). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

The company is a member of two Group pension schemes which provide benefits based on final pensionable pay. As the company is unable to identify its share of the schemes' assets and liabilities on a consistent and reasonable basis, as permitted by FRS 17: *Retirement Benefits*, the schemes are accounted for by the company as defined contribution schemes.

### 17 Related party transactions

Mr RG Jones, a director of the company, is also a director of BIE Holdings Limited and its two subsidiary companies, GW Stokes Limited and Walter Smith Joinery Limited.

During the year, the company acquired goods and services at normal commercial rates from the above companies as follows:

	2004 £000	2003 £000
BIE Holdings Limited	2	-
GW Stokes Limited	1	1
Walter Smith Joinery Limited	1	3

Pipe Supports Limited is a wholly-owned subsidiary of Pipe Supports Group Limited which is the beneficial owner of 87% of the issued shares of Pipe Supports Asia Limited, with whom it trades on a normal commercial basis. Sales by the company to Pipe Supports Asia Limited in the period amounted to £75,000 (2003: £20,000).

During the period, the company also acquired goods and services from Pipe Supports Asia Limited, which amounted to £85,000 (2003: £128,000).

At 31 December, the amounts due to and from the company were as follows:

	2004 £000	2003 £000
Due from Pipe Supports Asia Limited	43	8
Due to Pipe Supports Asia Limited	5	-

The company has taken advantage of the exemption available under FRS 8: *Related party transactions* not to disclose transactions that have been made between the company and other fellow subsidiaries of Hill & Smith Holdings PLC.

### 18 Ultimate parent company

The company is a wholly owned subsidiary of Hill & Smith Holdings PLC, a company registered in England. Copies of the Group financial statements may be obtained from group headquarters:

2 Highlands Court  
 Cranmore Avenue  
 Shirley, Solihull  
 B90 4LE