

Pipe Supports Limited

Registered number 926644

Directors' report and financial statements

For the year ended 31 December 2005



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Directors' report

The directors present their report and financial statements for the year ended 31 December 2005.

Principal activity

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

Business review

The orders booked from 2005 delivered the expected margins and the company achieved a substantial improvement in profitability. With a large number of LNG, Petrochemical, Offshore and Power projects well under way in 2006 the pipe support market will be very buoyant, especially in the second half of the year.

With the expansion of the product range and development of support design software we are well placed to take advantage of these opportunities.

Dividends

The directors do not recommend a payment of a dividend for the year ended 31 December 2005 (2004: £Nil).

Post balance sheet event

Subsequent to the year-end, the Group made a further investment of £500,000 in the company's share capital. This investment replaces intercompany balances included in current liabilities and serves to show a more accurate representation of the company's finances.

Directors and their interests

The directors serving during the year were as follows:

D L Grove
C J Burr
R G Jones
S J Barry
M Hyrons

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

Mr D L Grove and Mr C J 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 as follows:

Ordinary shares of 25p each

	2005 Number	2004 Number
RG Jones	106,443	106,443

Directors' report (continued)

Directors and their interests (continued)

Share options over ordinary shares of 25p each

	At 31.12.04	Exercised during year	Lapsed during year	At 31.12.05	Exercise price p	Date first Exercisable	Expiry Date	Note No
RG Jones								
	29,333	-	(29,333)	-	112.5	23.01.98	23.01.05	1
	9,915	-	-	9,915	100.0	01.01.10	01.07.10	2
	<u>39,248</u>	<u>-</u>	<u>(29,333)</u>	<u>9,915</u>				
SJ Barry								
	11,200	(11,200)	-	-	113.6	20.02.99	20.02.06	3
	<u>11,200</u>	<u>(11,200)</u>	<u>-</u>	<u>-</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


J C Humphreys
 Secretary

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

8 March 2006

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- *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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its 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.

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

We have audited the financial statements of Pipe Supports Limited for the year ended 31 December 2005 which comprise the Profit and Loss Account, the Balance Sheet, the Reconciliation of movements in Shareholder's funds and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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 auditors

As described in the Statement of Directors' Responsibilities on page 3, the Company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with UK Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2005 and of its profit for 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

8 March 2006

Profit and loss account
for the year ended 31 December 2005

	<i>Note</i>	2005 £000	2004 £000
Turnover	2	7,066	5,285
Cost of sales		(5,138)	(3,878)
Gross profit		1,928	1,407
Administrative expenses		(1,567)	(1,586)
Operating profit/(loss)		361	(179)
Bank interest receivable		35	23
Interest payable and similar charges	6	(83)	(80)
Profit/(loss) on ordinary activities before taxation	3, 7	313	(236)
Tax on profit/(loss) on ordinary activities	7	(94)	77
Retained profit/(loss) for the financial year		219	(159)

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 2005

	Note	2005 £000	2004 £000
Fixed assets			
Tangible assets	8	1,283	1,309
Current assets			
Stocks	9	1,086	1,030
Debtors	10	2,440	2,638
		3,526	3,668
Creditors: Amounts falling due within one year	11, 19	(3,820)	(4,209)
Net current liabilities	19	(294)	(541)
Total assets less current liabilities		989	768
Provisions for liabilities and charges	12	(91)	(89)
Net assets		898	679
Capital and reserves			
Called up share capital	13, 19	677	677
Profit and loss account	14	221	2
Equity shareholder's funds		898	679

These financial statements were approved by the board of directors on 8 March 2006 and signed on their behalf by:


C J Burr
 Director


S J Barry
 Director

Reconciliation of movements in shareholder's funds
for the year ended 31 December 2005

	2005 £000	2004 £000
Profit/(loss) for the financial year	219	(159)
Opening shareholder's funds	679	838
Closing shareholder's funds	898	679

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, except as noted below.

In these financial statements the following new standards have been adopted for the first time:

- FRS 20 'Share-based payments';
- FRS 21 'Events after the balance sheet date';
- the presentation requirements of FRS 25 'Financial instruments: presentation and disclosure'; and
- FRS 28 'Corresponding amounts'.

The accounting policies under these new standards are set out below together with an indication of the effects of their adoption. FRS 28 'Corresponding amounts' has had no material effect as it imposes the same requirements for comparatives as hitherto required by the Companies Act 1985. Likewise FRS25 has had no material effect on these financial statements.

The effect of the adoption FRS20 is detailed in note 13, no prior year adjustment is required in respect of the adoption of this standard because the share option scheme dealt with under this standard was only established in the year ended 31 December 2005.

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:

Plant, equipment and vehicles	-	4 to 20 years
Land and buildings	-	50 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. In respect of work in progress and finished goods, cost includes all production overheads and the attributable proportion of indirect overhead expenses.

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.

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

Notes (continued)

1 Accounting policies (continued)

Turnover

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

Pension scheme arrangements

The company participates in the Hill & Smith Executive Pension Scheme and the Hill & Smith Pension Scheme, as described in note 16.

As the company is unable to identify its share of the Group pension scheme assets in respect of the defined benefit sections 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.

Goodwill

Goodwill arising on acquisitions (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) is capitalised as a fixed asset and amortised on a straight line basis over its estimated useful economic life up to a maximum of 20 years.

Leased assets

Assets held under leases which confer rights and obligations similar to those attaching to owned assets are capitalised as tangible fixed assets and the corresponding liability to pay rentals is shown net of interest in the accounts as obligations under finance leases. Interest is calculated on the reducing balance basis and is charged over the period of the lease.

All other leases are regarded as operating leases and the total payments made under them are charged to the profit and loss account on a straight-line basis over the lease term.

Share based payments

The share option programme allows employees to acquire shares of the ultimate parent company Hill & Smith Holdings PLC. The fair value of options granted after 7 November 2002 and those not yet vested by 31 December 2004 are not recognised as an employee expense, those vested 1 January 2005 onwards are expensed with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

For cash settled share based payment transactions, with the exception of those awards settled before 1 January 2005, the fair value of the amount payable to the employee is recognised as an expense with a corresponding increase in liabilities. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to payment. The fair value is initially measured at grant date and spread over the period during which the employees become unconditionally entitled to payment. The fair value is measured based on an option pricing model taking in to account the terms and conditions upon which the instruments were granted. The liability is revalued at each Balance Sheet date and settlement date with any changes to fair value being recognised in the Profit and Loss Account.

Dividends on shares presented within shareholder's funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

Notes (continued)

1 Accounting policies (continued)

Classification of financial instruments issued by the Company

Following the adoption of FRS 25, financial instruments issued by the Company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

- a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
- b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

2 Turnover

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

	2005 £000	2004 £000
United Kingdom	2,151	1,875
Rest of Europe	1,175	1,929
Asia	3,633	1,352
Rest of world	107	129
	<hr/> 7,066 <hr/>	<hr/> 5,285 <hr/>

3 Profit/(loss) on ordinary activities before taxation

	2005 £000	2004 £000
Profit/(loss) on ordinary activities before taxation is stated		
<i>after charging/(crediting)</i>		
Auditor's remuneration	10	10
Depreciation of owned assets	124	149
Depreciation of leased assets	-	3
Profit on disposal of fixed assets	(4)	-
Exchange (gain)/loss	(59)	45
	<hr/> (59) <hr/>	<hr/> 45 <hr/>

Notes (continued)

4 Remuneration of directors

Aggregate directors' remuneration for the year was as follows:

	2005 £000	2004 £000
Emoluments	183	180
Number of directors who are members of defined benefit pension schemes	3	3
Number of directors who exercised options	3	2

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

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:

	2005 Number	2004 Number
Production	65	59
Sales and distribution	8	8
Administration	18	20
	91	87

The aggregate payroll costs of these persons were:

	£000	£000
Wages and salaries	1,843	1,704
Share-based payments	1	-
Social security costs	165	160
Other pension costs	86	85
	2,095	1,949

6 Interest payable

	2005 £000	2004 £000
Interest payable on loans from group undertakings	83	80

7 Tax on profit/(loss) on ordinary activities

Analysis of charge/(credit) in year

	2005 £000	2004 £000
<i>UK corporation tax</i>		
Current tax on income for the year	92	(76)
<i>Deferred tax (see note 12)</i>		
Profit and loss account	2	(1)
	94	(77)

Notes (continued)

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

Factors affecting tax charge/(credit) for the year

The effective current tax charge for the year is lower (2004: credit for the year is higher) than the standard rate of corporation tax in the UK. The differences are explained below:

	2005 £000	2004 £000
<i>Current tax reconciliation</i>		
Profit/(loss) on ordinary activities before taxation	313	(236)
	<hr/>	<hr/>
Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%	94	(71)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	5	5
Difference between capital allowances for year and depreciation	(2)	1
Deductible items not charged against profit	(5)	(11)
	<hr/>	<hr/>
Current tax charge/(credit)	92	(76)
	<hr/>	<hr/>

8 Tangible fixed assets

	Freehold Land and buildings £000	Plant, equipment and vehicles £000	Total £000
Cost			
At 1 January 2005	900	1,816	2,716
Additions	-	98	98
Disposals	-	(14)	(14)
	<hr/>	<hr/>	<hr/>
At 31 December 2005	900	1,900	2,800
	<hr/>	<hr/>	<hr/>
Depreciation			
At 1 January 2005	57	1,350	1,407
Charge for year	8	116	124
Disposals	-	(14)	(14)
	<hr/>	<hr/>	<hr/>
At 31 December 2005	65	1,452	1,517
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 December 2005	835	448	1,283
	<hr/>	<hr/>	<hr/>
At 31 December 2004	843	466	1,309
	<hr/>	<hr/>	<hr/>

The gross book value of land and buildings includes freehold land of £500,000 (2004: £500,000).

Notes (continued)

9 Stocks

	2005 £000	2004 £000
Raw materials and consumables	702	596
Work in progress and finished goods	384	434
	<u>1,086</u>	<u>1,030</u>

10 Debtors

	2005 £000	2004 £000
Trade debtors	1,572	1,531
Amounts recoverable on contracts	-	411
Amounts owed by group undertakings	685	559
Corporation tax	-	36
Other debtors	-	37
Prepayments and accrued income	183	64
	<u>2,440</u>	<u>2,638</u>

11 Creditors: Amounts falling due within one year

	2005 £000	2004 £000
Bank overdraft	939	1,362
Trade creditors	617	827
Amounts owed to group undertakings (see note 19)	1,842	1,916
Corporation tax	132	-
Other tax and social security	83	42
Accruals and deferred income	207	62
	<u>3,820</u>	<u>4,209</u>

Subsequent to the year-end, the Group made a further investment of £500,000 in the company's share capital. This investment replaces intercompany balances included in current liabilities and serves to show a more accurate representation of the company's finances.

Intercompany loans are unsecured and repayable on demand.

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 1 January 2005	89
Profit and loss account	2
	<hr/>
At 31 December 2005	91
	<hr/>

	2005 £000	2004 £000
Difference between accumulated depreciation, amortisation and capital allowances	93	91
Other timing differences	(2)	(2)
	<hr/>	<hr/>
	91	89
	<hr/>	<hr/>

13 Share capital

	2005 £000	2004 £000
Authorised		
700,000 ordinary shares of £1 each	700	700
	<hr/>	<hr/>
Allotted called up and fully paid		
677,000 ordinary shares of £1 each	677	677
	<hr/>	<hr/>

Subsequent to the year-end, the Group made a further investment of £500,000 in the company's share capital. This investment replaces intercompany balances included in current liabilities and serves to show a more accurate representation of the company's finances.

The charge for the share-based payment in the company for the year ending 31 December 2005 was £1,000 (2004: £Nil). Details of the assumptions and methodology used in calculating this charge can be seen in the ultimate parent company Hill & Smith Holdings PLC group accounts.

The options over the ultimate parent company shares outstanding at 31 December 2005 all had an option price of 100p. The average share price for the year ending 31 December 2005 was 177p (2004: 105p). The total movement across the group is as follows:

	2005 Number of shares	2004 Number of shares
1995 Savings Related Share Option Scheme		
As at 1 January	1,458,759	-
Issued	-	1,458,759
Lapsed	(110,982)	-
Exercised	(3,150)	-
	<hr/>	<hr/>
As at 31 December	1,344,627	1,458,759
	<hr/>	<hr/>

Notes (continued)

14 Profit and loss account

	£000
Balance as at 1 January 2004	161
Loss on ordinary activities after tax	(159)
	<hr/>
Balance as at 1 January 2005	2
Profit on ordinary activities after tax	219
	<hr/>
Balance as at 31 December 2005	221
	<hr/>

15 Contingent liabilities

The company is a party to cross guarantees given for bank loans and overdrafts of the ultimate parent company and certain fellow subsidiaries amounting to £78,212,000 (2004: £63,406,000) which are secured on the assets of the Group.

The company has given guarantees in respect of performance bonds for £481,000 (2004: £398,000).

16 Pension scheme

The company is a subsidiary of Hill & Smith Holdings PLC and participates in the Hill & Smith Executive Pension Scheme and the Hill & Smith Pension Scheme, the former provides benefits on a defined benefit basis and the second scheme providing benefits that are on a defined benefit and 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 £86,000 (2004: £85,000).

As the company is unable to identify its share of the schemes' assets and liabilities in respect of the defined benefit sections 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:

	2005 £000	2004 £000
BIE Holdings Limited	13	2
GW Stokes Limited	-	1
Walter Smith Joinery Limited	1	1
	<hr/>	<hr/>

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

Notes *(continued)*

19 Post balance sheet event

Subsequent to the year-end, the Group made a further investment of £500,000 in the company's share capital. This investment replaces intercompany balances included in current liabilities and serves to show a more accurate representation of the company's finances.