

PIPE SUPPORTS LIMITED

Registered number 926644

Directors' report and Financial Statements

For the year ended 31 December 2006



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Directors' report

The directors present their report and Financial Statements and auditors' report for the year ended 31 December 2006

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

Key performance indicators

KPI's are expanded upon in the business review, but in summary

Financial KPI's – The company's aim is to keep growing revenue and profitability through a combination of price and volume growth, organic expansion and acquisitions. Turnover is up 40.1% to £9,899,000, profit before tax is up 97.1% to £617,000

Non-financial KPI's – The company's aim is to keep monitoring other areas such as health and safety, energy efficiency, emissions, using recycled products and waste management

Business review and future developments

Structure - During the year 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

Overview – The company's markets were all busy during the year resulting in improved turnover and profitability. These markets are expected to remain buoyant for the foreseeable future due to large development of LNG facilities worldwide and increasing demands for electricity in some of the fast developing countries in the world

Strategy - To increase penetration of the LNG market where demand is particularly high. Expand manufacturing facilities in Thailand to cope with this demand. Improve sales and marketing through internal development

Risk Management - The Board reviews potential risks to the business on a regular basis in order to minimise potential impacts on the business

Corporate Social Responsibility - The Company recognises the importance of balancing the interest of key stakeholders – employees, customers, shareholders, suppliers and the wider community in which it operates. The Company remains committed to a continuous improvement in its environmental performance to ensure that its activities comply with environmental standards and legislation

Health and Safety - Health and safety remains core to the Company's business. There is now a dedicated Health and Safety Management System in operation and a greater awareness of Health and Safety criteria across all sectors of the business

Outlook - The current market for our products especially in LNG related markets is extremely buoyant and expected to remain that way for the foreseeable future

Dividends

There was no dividend payment made in the year ended 31 December 2006 (2005: £Nil). There are no proposed dividends

Creditor payment terms

It is the company's normal practice to agree in advance the terms of transactions with suppliers, including payment terms. Provided suppliers perform in accordance with the agreed terms, it is the company's policy that payment is made accordingly. Creditor days at the end of the year were 52 days (2005: 64 days)

Directors and their interests

The directors serving during the period, none of which has any beneficial interest in the shares of the company, were as follows

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

Directors' report (continued)

Directors and their interests (continued)

D L Grove and C J Burr are directors of the ultimate holding company, Hill & Smith Holdings PLC. All 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 year in the shares and share options of Hill & Smith Holdings PLC, are as follows:

Ordinary shares of 25p each

| | 2006 | 2005 |
|-----------|--------|---------|
| R G Jones | 50,404 | 106,443 |

Share options over ordinary shares of 25p each

| | At beginning of year or date of appointment | Exercised | Granted | At end of year | Exercise price p | Date first exercisable | Expiry date | Note no |
|----------|---|-----------|---------|----------------|------------------|------------------------|-------------|---------|
| RG Jones | 9,915 | - | - | 9,915 | 100.0 | 01.01.10 | 01.07.10 | 1 |
| | 9,915 | - | - | 9,915 | | | | |

Note 1: These options were granted under the 1995 Savings Related Share Option Scheme.

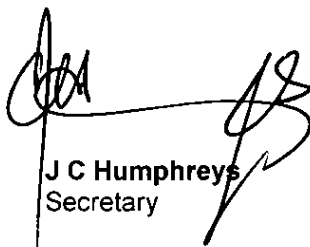
Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

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

6 March 2007

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 and applicable law (UK Generally Accepted Accounting Practice)

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 auditors' report to the members of Pipe Supports Limited

We have audited the Financial Statements of Pipe Supports Limited for the year ended 31 December 2006 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the 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

The directors' responsibilities for preparing the Financial Statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 3.

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 whether in our opinion the information given in the Directors' Report is consistent with the Financial Statements.

In addition we report to you if, in our opinion, 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 2006 and of its profit for the year then ended,
- the Financial Statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the Financial Statements.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
2 Cornwall Street
Birmingham
B3 2DL

6 March 2007

Profit and loss account
for the year ended 31 December 2006

| | <i>Note</i> | 2006 £'000 | 2005 £'000 |
|--|-------------|----------------------|---------------|
| Turnover | 2 | 9,899 | 7,066 |
| Cost of sales | | (7,684) | (5,138) |
| Gross profit | | 2,215 | 1,928 |
| Administrative expenses | | (1,634) | (1,567) |
| Operating profit | | 581 | 361 |
| Interest receivable | 6 | 112 | 35 |
| Interest payable and similar charges | 7 | (76) | (83) |
| Profit on ordinary activities before taxation | 3, 8 | 617 | 313 |
| Tax on profit on ordinary activities | 8 | (177) | (94) |
| Profit for the financial year | | 440 | 219 |

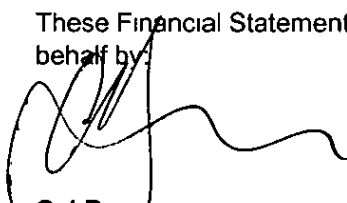
All operations are continuing

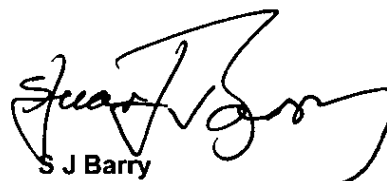
There were no recognised gains or losses during the current or preceding year apart from the profit for the financial year shown above

Balance sheet
as at 31 December 2006

| | Note | 2006 | 2005 |
|--|------|---------------------|--------------------|
| | | £'000 | £'000 |
| Fixed assets | | | |
| Tangible assets | 9 | 2,006 | 1,283 |
| Current assets | | | |
| Stocks | 10 | 1,911 | 1,086 |
| Debtors | 11 | 5,179 | 2,440 |
| | | <u>7,090</u> | <u>3,526</u> |
| Creditors Amounts falling due within one year | 12 | <u>(7,169)</u> | <u>(3,820)</u> |
| Net current assets/(liabilities) | | (79) | (294) |
| Total assets less current liabilities | | <u>1,927</u> | <u>989</u> |
| Provisions for liabilities and charges | 13 | <u>(89)</u> | <u>(91)</u> |
| Net assets | | <u>1,838</u> | <u>898</u> |
| Capital and reserves | | | |
| Called up share capital | 14 | 1,177 | 677 |
| Profit and loss account | 15 | 661 | 221 |
| Equity shareholder's funds | | <u>1,838</u> | <u>898</u> |

These Financial Statements were approved by the board of directors on 6 March 2007 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 2006

| | <i>Note</i> | 2006 | 2005 |
|--------------------------------------|-------------|--------------|-------------|
| | | £'000 | £'000 |
| Profit for the financial year | | 440 | 219 |
| Share capital issued during the year | | 500 | - |
| | | <hr/> | <hr/> |
| Increase in shareholder's funds | | 940 | 219 |
| Opening shareholder's funds | | 898 | 679 |
| | | <hr/> | <hr/> |
| Closing shareholder's funds | | 1,838 | 898 |
| | | <hr/> <hr/> | <hr/> <hr/> |

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

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

Turnover

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

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

Other intangible assets

Other intangible assets identified, such as customer lists, are valued at their fair value at the time of acquisitions and are capitalised as a fixed asset which is amortised on a straight line basis over its estimated useful economic life up to a maximum of 20 years

Notes (continued)

1 Accounting policies (continued)

Pension scheme arrangements

The company participates in the Hill & Smith Executive Pension Scheme and the Hill & Smith Pension Scheme, as described in note 17

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

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.

Share-based payments are recharged by the ultimate parent company to participating subsidiary undertakings on an annual basis.

Research and development

Expenditure on development activities is capitalised if the product or process is considered to be technically and commercially viable and the Company has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the Income Statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses. Amortisation is provided equally over the estimated useful economic life of the assets concerned currently up to 7 years.

Notes (continued)

1 Accounting policies (continued)

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.

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 shareholder's 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.

Notes (continued)

2 Turnover

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

| | 2006 £'000 | 2005 £'000 |
|-------------------|---------------|---------------|
| United Kingdom | 2,980 | 2,151 |
| Rest of Europe | 263 | 1,175 |
| North America | 250 | 10 |
| Asia | 5,847 | 3,633 |
| Rest of the world | 559 | 97 |
| | <u>9,899</u> | <u>7,066</u> |

In the opinion of the directors, there is only one class of business

3 Profit on ordinary activities before taxation

| | 2006 £'000 | 2005 £'000 |
|--|---------------|---------------|
| <i>Profit on ordinary activities before taxation is stated</i> | | |
| <i>after charging</i> | | |
| Depreciation | | |
| Owned assets | 108 | 124 |
| Auditors' remuneration | 11 | 10 |
| <i>after crediting</i> | | |
| Foreign exchange gain | 14 | 59 |
| Profit on sale of fixed assets | - | 4 |
| | <u>-</u> | <u>4</u> |

Fees paid to KPMG Audit Plc and its associates for non-audit services to the company itself are not disclosed in the individual accounts of Hill & Smith Holdings Plc because the company's consolidated accounts are required to disclose such fees on a consolidated basis

4 Remuneration of directors

Aggregate directors' remuneration for the year was as follows

| | 2006 £'000 | 2005 £'000 |
|--|---------------|---------------|
| Emoluments | 178 | 183 |
| | <u>Number</u> | <u>Number</u> |
| Directors exercising share options | - | 3 |
| Directors who are members of defined benefit pension schemes | 3 | 3 |
| | <u>3</u> | <u>3</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

| | 2006 Number | 2005 Number |
|------------------------|----------------|----------------|
| Production | 50 | 65 |
| Administration | 17 | 18 |
| Sales and distribution | 8 | 8 |
| | <u>75</u> | <u>91</u> |

The aggregate payroll costs of these persons were

| | £'000 | £'000 |
|-----------------------|--------------|--------------|
| Wages and salaries | 1,709 | 1,843 |
| Share-based payment | 1 | 1 |
| Social security costs | 149 | 165 |
| Other pension costs | 87 | 86 |
| | <u>1,946</u> | <u>2,095</u> |

6 Interest receivable

| | 2006 £'000 | 2005 £'000 |
|--------------------------------|---------------|---------------|
| Bank interest receivable | 55 | 35 |
| On loans to group undertakings | 57 | - |
| | <u>112</u> | <u>35</u> |

7 Interest payable and similar charges

| | 2006 £'000 | 2005 £'000 |
|----------------------------------|---------------|---------------|
| Bank interest payable | 76 | - |
| On loans from group undertakings | - | 83 |
| | <u>76</u> | <u>83</u> |

Notes (continued)

8 Tax on profit on ordinary activities

Analysis of charge in year

| | 2006 | 2005 |
|--|------------|-----------|
| | £'000 | £'000 |
| <i>UK corporation tax</i> | | |
| Current tax on income for the year | 179 | 92 |
| <i>Deferred tax (see note 13)</i> | | |
| Origination/reversal of timing differences | (2) | 2 |
| | <u>177</u> | <u>94</u> |

Factors affecting tax charge for the year

The effective current tax charge for the year is lower than the standard rate of corporation tax in the UK. The differences are explained below

| | 2006 | 2005 |
|---|------------|-----------|
| | £'000 | £'000 |
| <i>Current tax reconciliation</i> | | |
| Profit on ordinary activities before taxation | 617 | 313 |
| Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% | 185 | 94 |
| <i>Effects of</i> | | |
| Expenses not deductible for tax purposes | 5 | 5 |
| Difference between capital allowances for year and depreciation | 1 | (2) |
| Income and expenditure timing differences | 1 | - |
| Deductible items not charged against profit | (13) | (5) |
| Current tax charge | <u>179</u> | <u>92</u> |

Notes (continued)

9 Tangible fixed assets

| | Freehold land and buildings £'000 | Plant equipment and vehicles £'000 | Total £'000 |
|---------------------------------------|--|---|----------------|
| Cost | | | |
| At 1 January 2006 | 900 | 1,900 | 2,800 |
| Additions | 806 | 32 | 838 |
| Disposals | - | (2) | (2) |
| Transfers to other group undertakings | - | (11) | (11) |
| At 31 December 2006 | 1,706 | 1,919 | 3,625 |
| Depreciation | | | |
| At 1 January 2006 | 65 | 1,452 | 1,517 |
| Charge for the year | 8 | 100 | 108 |
| Disposals | - | (2) | (2) |
| Transfers to other group undertakings | - | (4) | (4) |
| At 31 December 2006 | 73 | 1,546 | 1,619 |
| Net book value | | | |
| At 31 December 2006 | 1,633 | 373 | 2,006 |
| At 31 December 2005 | 835 | 448 | 1,283 |

Included within the gross book value of land and buildings is undepreciated freehold land of £930,000 (2005 £500,000)

The company had capital expenditure contracted but not provided in the Financial Statements at 31 December 2006 of £108,000 (2005 £Nil)

10 Stocks

| | 2006 £'000 | 2005 £'000 |
|-------------------------------|---------------|---------------|
| Raw materials and consumables | 792 | 702 |
| Work in progress | 971 | 220 |
| Finished goods | 148 | 164 |
| | 1,911 | 1,086 |

Notes (continued)

11 Debtors

| | 2006 | 2005 |
|------------------------------------|--------------|--------------|
| | £'000 | £'000 |
| Trade debtors | 4,186 | 1,572 |
| Amounts owed by group undertakings | 755 | 685 |
| Prepayments and accrued income | 238 | 183 |
| | <u>5,179</u> | <u>2,440</u> |

Intercompany loans are unsecured and repayable on demand. Interest is charged at a rate equivalent to the Group's average borrowing rate for the year.

12 Creditors: amounts falling due within one year

| | 2006 | 2005 |
|------------------------------------|--------------|--------------|
| | £'000 | £'000 |
| Bank loans and overdrafts | 1,850 | 939 |
| Trade creditors | 2,072 | 617 |
| Amounts owed to group undertakings | 2,319 | 1,842 |
| Corporation tax | 219 | 132 |
| Other tax and social security | 63 | 83 |
| Accruals and deferred income | 646 | 207 |
| | <u>7,169</u> | <u>3,820</u> |

During the year 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. Interest is charged at a rate equivalent to the Group's average borrowing rate for the year.

Notes (continued)

13 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 2006 | 91 | |
| Profit and loss account | (2) | |
| At 31 December 2006 | 89 | |
| | 2006 | 2005 |
| | £'000 | £'000 |
| Difference between accumulated depreciation, amortisation and capital allowances | 92 | 93 |
| Other timing differences | (3) | (2) |
| | 89 | 91 |

14 Called up share capital

| | 2006 | 2005 |
|---|-------|-------|
| | £'000 | £'000 |
| Authorised | | |
| 1,200,000 (2005 700,000) ordinary shares of £1 each | 1,200 | 700 |
| Allotted called up and fully paid | | |
| 1,177,000 (2005 677,000) ordinary shares of £1 each | 1,177 | 677 |

During the year 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 2006 was £1,000 (2005 £1,000). 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 2006 had option prices of 100p**. The average share price for the year ending 31 December 2006 was 245p (2005 177p). The total movement across the group is as follows:

1995 Savings Related Share Option Scheme

| | 2006 | 2005 |
|--------------------------|------------------|------------------|
| | Number of shares | Number of shares |
| As at 1 January | 1,344,627 | 1,458,759 |
| Lapsed | (167,559) | (110,982) |
| Exercised | (13,554) | (3,150) |
| As at 31 December | 1,163,514 | 1,344,627 |

Notes (continued)

15 Profit and loss account

| | £'000 |
|---|-------|
| At 1 January 2006 | 221 |
| Profit on ordinary activities after tax | 440 |
| | <hr/> |
| At 31 December 2006 | 661 |
| | <hr/> |

16 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 £60,376,000 (2005 £78,212,000) which are secured on the assets of the Group

The company has given guarantees in respect of performance bonds for £791,000 (2005 £481,000)

17 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 year represents contributions payable by the company to the fund and amounted to £87,000 (2005 £86,000)

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

18 Related party transactions

R G Jones, a director of the company, is also a director of BIE Holdings Limited and its two subsidiary companies, G W Stokes Limited and Walter Smith Joinery Limited

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

| | 2006 £'000 | 2005 £'000 |
|------------------------------|---------------|---------------|
| BIE Holdings Limited | 1 | 13 |
| G W Stokes Limited | 1 | - |
| Walter Smith Joinery Limited | - | 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

Notes (continued)

19 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

Peter Ellis

From: Don Bennett
Sent: 29 June 2007 16 13
To: 'Fuller, Simon'
Cc: Peter Ellis, Lucy Lang, Chris Burr
Subject: RE Accounts queries (pervasive to all, ALBS, PSL, Perfs, Pressings, Asset, Birtley, D&J, Bromford)

Simon

As I mentioned, I am on holiday next week, but not going away so am contactable if need be In the mean time if you could get back to Pete with any comments, that would be great

- Lucy will incorporate any individual company changes you have agreed with her & send all the Rep Letters to the relevant directors for placing on letterhead, signing off & returning to H&S by the end of Wednesday 4/7/07 Ensure a copy is kept on file in H&S originals to Pete
- Pete will
 - Issue all the cleared Balance Sheets to the relevant subs directors for sign off 4 copies
 - Receive signed BS's & get John to sign Co Sec
 - Collate & check all the pages & send to you with the relevant Rep Letter
 - Graham hopefully will then sign off, keep 1 copy & return 3 to Pete
 - Pete will file 1 copy, send a copy to the sub FD & give the other copy to John to file with Co House

I believe we have cleared the following

- PSL (Pete will send you the revised land value page) Just awaiting Rep Letter to finalise
- ALBS (File attached with minor changes)
- ALPS (File attached revised business review)
- Asset
- Barkers (File attached with minor changes)
- Birtley
- Bromford
- D&J
- H&S
- LKF
- Redman
- V&G (Files attached for changes)
 - I Robinson I don't believe had any options (Pete please confirm with John)
 - The is a L&B depn policy (AP9)!
 - Should have been 4 DM, MT, CB & DG

Also now attached is Mallatite if you could let Pete know of any changes

This should leave to be addressed

02/07/2007