

Pipe Supports Limited

**Directors' report and financial
statements**

Registered number 00926644

For the year ended 31 December 2007

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Directors' report

The directors present their annual report and financial statements for the year ended 31 December 2007

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 130.4% to £22,812,000, profit before tax is up 364.2% to £2,864,000

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

Overview – Turnover of £22,812,000 (2006 £9,899,000) produced profit on ordinary activities before taxation of £2,864,000 (2006 £617,000). The increase in profit was driven by the increase in sales volumes, with LNG worldwide projects strong due to 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. The Board has identified the following key areas of risk to the business: Large customers, exchange rate fluctuations, and loss of key personnel

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. Further details of the Group's CSR activities can be found in the Hill & Smith Holdings PLC annual report

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. Further details of the Group's health and safety activities can be found in the Hill & Smith Holdings PLC annual report

Outlook – Despite slow downs in other areas of the world economy the demand for power and related products remains very strong. We see our markets continuing to offer excellent opportunities in the foreseeable future

Dividends

There was no dividend payment made in the year (2006 £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 68 days (2006 52 days)

Directors' report *(continued)*

Directors

The directors serving during the period were as follows

D L Grove	(resigned 11 April 2007)
D W Muir	(appointed 11 April 2007)
C J Burr	(resigned 11 March 2008)
M Pegler	(appointed 11 March 2008)
R G Jones	(resigned 31 March 2007)
S J Barry	

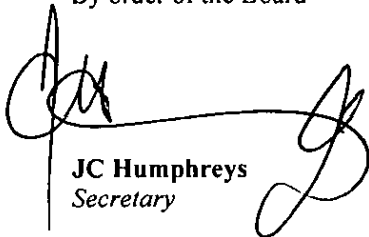
Disclosure of information to auditors

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



JC Humphreys
Secretary

Westhaven House
Arleston Way
Shirley
Solihull
B90 4LH

11 March 2008

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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

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,
- 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 the financial statements 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.



KPMG Audit Plc

2 Cornwall Street
Birmingham
B3 2DL
United Kingdom

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 2007 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

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.

Independent auditors' report to the members of Pipe Supports Limited *(continued)*

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 2007 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

11 March 2008

Profit and loss account
for the year ended 31 December 2007

	<i>Note</i>	2007 £000	2006 £000
Turnover	2	22,812	9,899
Cost of sales		(17,540)	(7,684)
Gross profit		5,272	2,215
Administrative expenses		(2,384)	(1,634)
Operating profit		2,888	581
Other interest receivable and similar income	6	85	112
Interest payable and similar charges	7	(109)	(76)
Profit on ordinary activities before taxation	3	2,864	617
Tax on profit on ordinary activities	8	(883)	(177)
Profit for the financial year		1,981	440

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 2007

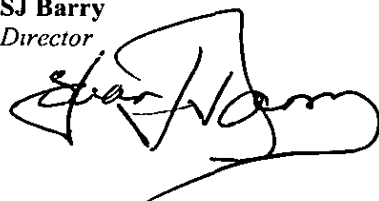
	<i>Note</i>	2007 £000	2006 £000	£000
Fixed assets				
Tangible assets	9		1,215	2,006
Current assets				
Stocks	10	2,020	1,911	
Debtors	11	5,997	5,179	
Cash at bank and in hand		1,685	-	
		<u>9,702</u>	<u>7,090</u>	
Creditors: Amounts falling due within one year	12	<u>(7,098)</u>	<u>(7,169)</u>	
Net current assets/(liabilities)			<u>2,604</u>	<u>(79)</u>
Total assets less current liabilities			<u>3,819</u>	<u>1,927</u>
Provisions for liabilities and charges	13		-	(89)
Net assets			<u>3,819</u>	<u>1,838</u>
Capital and reserves				
Called up share capital	14	1,177	1,177	
Profit and loss account	15	2,642	661	
Equity shareholder's funds			<u>3,819</u>	<u>1,838</u>

These financial statements were approved by the board of directors on 11 March 2008 and signed on their behalf by

DW Muir
Director



SJ Barry
Director



Reconciliation of movements in shareholder's funds
for the year ended 31 December 2007

	2007 £000	2006 £000
Profit for the financial year	1,981	440
Share capital issued during the year	-	500
Increase in shareholder's funds	1,981	940
Opening shareholder's funds	1,838	898
Closing shareholder's funds	3,819	1,838

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, 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 prevailing 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

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

Notes (continued)

1 Accounting policies (continued)

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 into 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.

Where the Company's parent grants rights to its equity instruments to the Group's or the Company's employees, which are accounted for as equity-settled in the consolidated accounts of the parent, the Group or the Company as the case may be account for these share-based payments as equity-settled.

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.

Dividend 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 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

2 Turnover

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

	2007 £000	2006 £000
United Kingdom	5,923	2,980
Rest of Europe	625	263
North America	628	250
Asia	13,856	5,847
Rest of world	1,780	559
	<u>22,812</u>	<u>9,899</u>

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

3 Profit on ordinary activities before taxation

	2007 £000	2006 £000
<i>Profit on ordinary activities before taxation is stated</i>		
<i>after charging</i>		
Depreciation		
Owned assets	122	108
Foreign exchange loss	45	-
<i>after crediting</i>		
Foreign exchange gain	-	14
<i>Auditors' remuneration</i>		
Audit of the financial statements	12	11

Notes (continued)

3 Profit on ordinary activities before taxation (continued)

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 financial statements are required to disclose such fees on a consolidated basis

4 Remuneration of directors

Aggregate directors' remuneration for the year was as follows

	2007 £000	2006 £000
Emoluments	105	178
Number of directors who are members of defined benefit pension schemes	-	3

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

	2007 Number	2006 Number
Sales and distribution	9	8
Administration	17	17
Production	57	50
	83	75

The aggregate payroll costs of these persons were

	£000	£000
Wages and salaries	2,233	1,709
Share based payments (see note 14)	9	1
Social security costs	171	149
Other pension costs	122	87
	2,535	1,946

6 Other interest receivable and similar income

	2007 £000	2006 £000
Bank interest receivable	-	55
On loans to group undertakings	85	57
	85	112

Notes (continued)

7 Interest payable and similar charges

	2007 £000	2006 £000
Bank interest payable	109	76

8 Tax on profit on ordinary activities

Analysis of charge in year

	2007 £000	2006 £000
<i>UK corporation tax</i>		
Current tax on income for the year	1,020	179
<i>Deferred tax</i>		
Origination/reversal of timing differences	(79)	(2)
Effect of change in tax rate	(58)	-
	883	177

Factors affecting tax charge for the year

The effective current tax charge for the year is higher (2006 lower) than the standard rate of corporation tax in the UK. The differences are explained below.

	2007 £000	2006 £000
<i>UK Current tax reconciliation</i>		
Profit on ordinary activities before taxation	2,864	617
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2006 30%)	859	185
<i>Effects of</i>		
Expenses not deductible for tax purposes	98	5
Capital profit not taxable	(10)	-
Income and expenditure timing differences	79	1
Deductible items not charged against profit	(6)	(13)
Current tax charge	1,020	179

Impact of change in rate of corporation tax in the UK

The rate of UK corporation tax reduced from 30% to 28% with effect from 1 April 2008. Deferred tax assets and liabilities at 31 December 2007 have been calculated at 28%.

Notes (continued)

9 Tangible fixed assets

	Freehold land and buildings £000	Plant, equipment and vehicles £000	Total £000
Cost			
At beginning of year	1,706	1,919	3,625
Additions	125	124	249
Disposals	(918)	-	(918)
	<hr/>	<hr/>	<hr/>
At end of year	913	2,043	2,956
	<hr/>	<hr/>	<hr/>
Depreciation			
At beginning of year	73	1,546	1,619
Charge for the year	17	105	122
	<hr/>	<hr/>	<hr/>
At end of year	90	1,651	1,741
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 December 2007	823	392	1,215
	<hr/>	<hr/>	<hr/>
At 31 December 2006	1,633	373	2,006
	<hr/>	<hr/>	<hr/>

Included within the gross book value of land and buildings is undepreciated freehold land of £400,000 (2006 £930,000)

The company had capital expenditure contracted but not provided in the financial statements at 31 December 2007 of £34,000 (2006 £108,000)

10 Stocks

	2007 £000	2006 £000
Raw materials and consumables	681	792
Work in progress	1,209	971
Finished goods and goods for resale	130	148
	<hr/>	<hr/>
	2,020	1,911
	<hr/>	<hr/>

11 Debtors

	2007 £000	2006 £000
Trade debtors	5,544	4,186
Amounts owed by group undertakings	-	755
Deferred tax (note 13)	48	-
Other	271	-
Prepayments and accrued income	134	238
	<hr/>	<hr/>
	5,997	5,179
	<hr/>	<hr/>

Intercompany loans are unsecured and with no fixed repayment date. Interest is charged at a rate equivalent to the Group's average borrowing rate for the year.

Notes (continued)

12 Creditors: amounts falling due within one year

	2007 £000	2006 £000
Bank loans and overdrafts	-	1,850
Trade creditors	1,358	2,072
Amounts owed to group undertakings	3,869	2,319
Corporation tax	1,060	219
Other tax and social security	40	63
Accruals and deferred income	771	646
	<u>7,098</u>	<u>7,169</u>

Intercompany loans are unsecured and with no fixed repayment date. Interest is charged at a rate equivalent to the group's average borrowing rate for the year.

13 Provision 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	89
Credit to the profit and loss for the year	(137)
Transfer to debtors (note 11)	48
At end of year	<u>-</u>

	2007 £000	2006 £000
Difference between accumulated depreciation and capital allowances	29	92
Other timing differences	(77)	(3)
	<u>(48)</u>	<u>89</u>

14 Called up share capital

	2007 £000	2006 £000
<i>Authorised</i>		
1,200,000 ordinary shares of £1 each	1,200	1,200
<i>Allotted, called up and fully paid</i>		
1,177,000 ordinary shares of £1 each	1,177	1,177

The charge for the share based payment in the company for the year ended 31 December 2007 was £9,000 (2006 £1,000). Details of the assumptions and methodology in calculating this charge can be seen in the ultimate parent company, Hill & Smith Holdings PLC group financial statements.

Notes (continued)

15 Profit and loss account

	£000
At 1 January 2007	661
Profit on ordinary activities after tax	1,981
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At 31 December 2007	2,642
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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 £157,765,000 (2006 £60,376,000) which are secured on the assets of the Group

The company has given guarantees in respect of performance bonds for £788,000 (2006 £791,000)

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 £122,000 (2006 £87,000)

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

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 the normal commercial rates from the above companies as follows

	2007 £000	2006 £000
BIE Holdings Limited	-	1
GW Stokes 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

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

Westhaven House
 Arlestone Way
 Shirley
 Solihull
 B90 4LH